

# TOWN

## Small and medium sized towns in their functional territorial context

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## **PREFACE**

For the purpose of preparing this Report, consultations and interviews were held with representatives of relevant Government Departments, Local Authorities and private sector organisations, including:

Department of Town Planning and Housing (DTPH)  
Municipality of Athienou  
Municipality of Dali  
Municipality of Paralimni  
Statistical Service of Cyprus (SSC)  
Department of Lands and Surveys (DLS)  
Nicosia Chamber of Commerce and Industry (NCCI)  
Larnaca Chamber of Commerce and Industry (LCCI)  
Famagusta Chamber of Commerce and Industry (FCCI)  
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## 1 National context

Cyprus is the third largest island in the Mediterranean after Sicily and Sardinia, but the largest island state with an area of 3.572 sq. miles (9.251 sq.kms). It has a maximum length of 240 km from east to west and a maximum width of 100 km north south. It is situated at the north-western corner of the eastern Mediterranean basin at an equal distance of 380 km north of Egypt and east of the Greek island of Rhodes, 105 km west of Syria and 75 km from Turkey. Cyprus lies at the hub of three continents and close to the busy trade route linking Western Europe with the Arab world and the Far East.

Cyprus is an independent republic<sup>1</sup> with a presidential system of government, divided into six administrative Districts, named after the island's principal towns: Nicosia, Limassol, Larnaca, Paphos, Famagusta and Kyrenia. Nicosia is the capital city of Cyprus and the seat of Government. Each District Office is essentially the central government's representation, acting as chief coordinating body for the activities of all Ministries in that District.

The local administrative structure of Cyprus operates through a system of Municipalities and Community Councils. These are elected and administratively independent bodies responsible for strictly local affairs. Municipalities constitute the form of local government in the six main cities (each district's capital city) and in a number of smaller towns mostly around the main towns and in coastal tourist areas.

Since 1974, the northern part of Cyprus (some 35.2% of the country's surface), including the towns of Famagusta and Kyrenia, remains under Turkish military occupation, outside the effective control of the Government. Another 2.6% of the land is administered by the UN (buffer zone) and 2.7% is retained by Great Britain in the form of two military bases. In 2011, the population of government-controlled areas had reached about 840,000, 67% of which lived in urban areas.

Turkey's military invasion in 1974 had disastrous effects on the island's structure and socio-economic sectors. It disrupted the settlement and communications systems that developed in Cyprus through the centuries and has enforced duplication of major infrastructure such as airports, ports, power plants, roads etc. with adverse effects on the environment.

Inevitably, the artificial division of the island<sup>2</sup> and the lack of government effective control in the northern part are replicated in the scope of work that is under examination. Due to this fact, the study team is able to collect, analyse and present data that are concerning only the territory under the effective control of the Government of the Republic of Cyprus. Nevertheless, the study team does not ignore and will take into account that significant and valid efforts have been made between the two communities on a local level after 1974. For example the Nicosia Master Plan<sup>3</sup>, a bi-communal ground breaking institution, is involving both the Greek- and Turkish- Cypriot communities of the island's divided capital<sup>4</sup> in common urban planning development studies (e.g. master plan for the main urban area and the centre of the capital) and urban regeneration projects in the historic centre.

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<sup>1</sup> As a result of the Zurich-London agreements, Cyprus became an independent Republic on 16 August 1960. Before that it was a Crown colony.

<sup>2</sup> <http://en.wikipedia.org/wiki/Cyprus>

<sup>3</sup> [http://www.undp-pff.org/index.php?option=com\\_content&task=view&id=80&Itemid=140](http://www.undp-pff.org/index.php?option=com_content&task=view&id=80&Itemid=140)

<sup>4</sup> <http://www.aboutcyprus.org.cy/en/nicosia-from-the-ancient-kingdom-of-ledra-to-the-last-divided-capital-in-the-world>

## 1.1 National/regional definition of SMSTs

There is no official system to classify and define small, medium or large towns in Cyprus. The main criterion used in official terms is the administrative one that classifies settlements in regard to their local administrative status, that of the municipality and the community. Another criterion that is equally important is the one used by the local language (Greek), which describes the city «πόλη» and the village «χωριό». The definitions and approaches can be taken under consideration are:

### - *Semantic definitions:*

Except the words «polis» and «chorio» that describe the city and the village, the words «kefalochori» and «komopolis» are used in local language. The first one «kefalochori» refers to a big village (larger in population than the neighbouring rural villages), which acts as provider of commerce, services and jobs for the area. The second one «komopolis» is used for towns that are larger in population than the big villages and smaller than the cities. Again these towns act as providers of commerce, services, jobs and even as administrative centres for the surrounding settlements.

Specifically the word «polis» is used for the main urban areas of the island which are the capitals of each district. The term big villages «kefalochoria» was used for several settlements in Cyprus before the islands urbanisation. Nowadays it is mainly used for mountainous villages. Most of the mainland and coastal big villages had a significant increase in population and are now regarded as towns «komopolis». Since there is no other definition for these words than the semantic one, no quantitative criteria can be used to classify the settlements accordingly. But based on our experience the term «komopolis» linguistically is the closest one to a small-medium sized town.

### - *Administrative / political definitions:*

According to the provisions of Cyprus law there are only two types of Local Authorities; Communities are the local structure for rural settlements of less than 5,000 inhabitants, while Municipalities cover towns and larger settlements, mostly in urban and tourist areas. Settlements of less than 5,000 inhabitants but with strong local economic base are also eligible as municipalities. With these definitions one can qualitatively distinguish the small/ big villages from the small-medium towns/ large cities. But of course the definitions of Communities and Municipalities cannot be used as a classification of settlements based on urban, functional or morphological terms.

As mentioned before the upper administration level is the District, but it cannot be accounted as a functional or a morphological area. It is basically an administrative area for the purposes of the decentralization of the central government's services. There is no elected body, but district administrations headed by the District Officers who are essentially the central government's local representatives, acting as chief coordinators for the activities of all Ministries in the Districts.

Excluding the main urban complexes of the island, the overwhelming majority of municipalities and communities include only one morphologically independent settlement but with obvious evidence of sprawl (even the smallest villages in Cyprus tend to have evident sprawl on the main connecting roads with other settlements, plus a significant number of individual dwellings in the periphery of the settlement).

The four main cities of the island (Nicosia, Larnaca, Limassol and Paphos) are structured on a gradual merger of the central municipality (which has the same name with the city and facilitates as its centre) with the surrounding settlements (suburb municipalities and communities), therefore forming a "coherent" multi-nodal urban conurbation. What must be noted is that regardless of the spatial merger of the settlements into a city, the local administration of each city remains divided to each municipality/ community, without the presence of a metropolitan borough.

Each one of the main cities has its own Local Plan which is the central government's land use and development policy instrument for the four urban conurbations. Every plan covers the various independent municipalities and communities that constitute the whole of the city. This can be assumed as a political classification of the island's main urban complexes and one that can be referred to as a definition of urban and functional context.

Local Plans are also active for other smaller towns (municipalities like Athienou, Deryneia, Paralimni, Ayia Napa, Polis-Chrysochous, etc) in rural or coastal areas. This political action can be also accounted as the identification of settlements outside the main urban areas that are of high functional significance and can be referred to as a political definition relevant to small and medium towns.

- *Official statistical definitions:*

The Statistical Service of Cyprus is analysing and presenting data based on national level, on a geographical distribution of the two administrative levels (Districts and Local Authorities) and on a more detailed geographical level of the municipalities (based on postcode areas and quarters). Every settlement's local administrative boundary (community or municipality) is regarded as the same type of statistical unit and the geographical distribution of data is restricted to municipal/ community boundaries. Both statistical levels (local and district) provide significant data based only on the administrative boundary of each area and are not used in order to classify settlements based on urban, functional or morphological terms, or even based on population numbers.

A parameter worthy of mentioning is the statistical distinction of urban from rural areas. For each of the four main cities an urban area is defined, which coincides with each city's Local Plan area. This is the only statistical definition that can be assumed as a classification of the island's large cities and the only one that can be referred to as a definition of urban and functional context.

- *Geographical definitions:*

In certain parts of the island (outside of the main urban centres) a significant number of relatively small geographical regions are appearing. These regions do not have an administrative role or a separate governing body. They are rural, mountainous or coastal areas consisted of settlements (mostly Communities) that have common environmental, historical and socio-economic characteristics (Marathasa, Solea, Pitsilia, Krasochoria, Tylliria, Kokkinochoria, Laona, Akamas, Troodos, Mesaoria, etc).

These areas are established informal regions of settlements that in reality either were or are now functional regions. Almost all of the regions have an agricultural background (except one or two that are environmental areas). Most of them have heavily declined in the past decades (especially the mountainous ones) and some of them have evolved into tourist areas (obviously the coastal ones).

According to the Policy Statement for the Countryside - PSC (explained in the next pages), the rest of the island that is not covered by local plans is sub-sectioned into smaller areas. These regions rarely coincide with the above geographical ones and they are not representing administrative or functional regions. They are composed in order to divide each district in areas that facilitate land use zoning and control of the development by the central government.

In the past few years a valid effort is taking place by the Department of Town Planning and Housing (Ministry of Interior) in order to prepare and publish for the first time, new Local Plans for specific informal geographical regions of settlements (Marathasa, Solea, Krasochoria, Kokkinochoria and South of Nicosia). This political action can be also accounted as the identification of functional regions (beyond the main urban complexes) and can be referred to as a political definition relevant to functional regions.

The District Administration Offices (DAOs) and the Statistical Service of Cyprus (SSC) are also sub-sectioning the island's space into smaller areas (similar to those of the PSC). But again these areas rarely coincide with the informal geographical regions and they don't have any administrative or functional significance. The areas of the SSC serve the purpose of census divisions and the areas of the DAOs serve purposes of organization, coordination and control of by each district's administration officers.

- *Academic definitions:*

As explained in the next paragraphs, no relevant definitions are found in published Cypriot academic literature. But a significant definition is appearing in an older publication of policy literature. The word «κωμόπολη» is used to classify small-medium sized rural towns based on a methodology that is described in the next paragraphs.

## 1.2 SMSTs in national/regional settlement system: literature overview

After extensive investigation the study team has not found any academic literature in Cyprus that deals with small and medium sized towns. Also only a relevantly small portion of policy literature was dedicated in the interpretation and delimitation of functional regions and the classification of the island's settlements.

The main reason for the absence of relevant literature in Cyprus is the young age of the island's independent republic (1960) and of the planning system itself. Land use planning policy in Cyprus is carried out under the 1972 Town and Country Planning Law – TCPL (which came into force on 1 December 1990). This law provided the preparation and enforcement of a hierarchy of Development Plans, the operation of a network of Planning Authorities with responsibilities for the exercise of Development Control through powers for issuing Planning Permissions relating to the provisions of the Development Plans. The coordination of land use planning policy carried out under the TCPL law is the responsibility of the Department of Town Planning and Housing (prior to 1990 land use control was exercised under the old Streets and Buildings law of 1946).

An outline of the islands development policy and relevant literature is presented:

- *The Planning System in Cyprus*<sup>5</sup>:

Economic and regional development policy in Cyprus is based on indicative planning, exercised through the Planning Bureau, an independent directorate under the authority of the Minister

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<sup>5</sup> Source: [http://www.eukn.org/Cyprus/cy\\_en](http://www.eukn.org/Cyprus/cy_en)

of Finance, which formulates long-term development policy at the strategic level and exercises control over its implementation through the state budget. On the other hand, responsibility for spatial planning and urban policy rests with the Minister of Interior, who has delegated certain of his responsibilities to the larger Municipalities, the Department of Town Planning and Housing, as well as the Planning Board, an independent body with advisory power over large areas of planning policy.

The three-tier hierarchy of Development Plans introduced by the 1972 Town and Country Planning Law is based on the concepts of the “**Island Plan**,” which refers to the national territory and the regional distribution of resources and development opportunities; the “**Local Plan**,” which refers to major urban areas, areas of exceptional importance or areas undergoing intensive development pressures and rapid physical development; and the “**Area Scheme**,” at the lower end of the hierarchy, which in general refers to areas of a smaller scale and is more detailed and specifically project oriented.

For all territory where neither a Local plan nor an Area Scheme is in force, an additional type of development plan was introduced to the planning system in 1982, the “**Policy Statement for the Countryside**” (as a “replacement” of the Island Plan)<sup>6</sup>, a legally binding document in the form of an adapted regional plan for the control of development and the protection of the environment in villages and rural areas. Along with this document, a series of zoning plans have been published for the majority of rural settlements, while areas of outstanding natural value, selected coastlines and nature protection areas, as well as areas of protected landscapes are all delineated on a detailed cadastral inventory which complements the guidelines of the PSC. The three types of development plans are under periodic review, legally required at least every five years.

The PSC, however, is not a regional development plan, in the sense that a Local Plan is. It rather defines land use zones for most rural settlements and communities and areas of special or exceptional natural or environmental value. It also specifies a framework of location policies for a wide spectrum of development types, including residential, commercial, tourist, industrial, agricultural etc.

- *Relevant to SMSTs Policy Literature:*

In the first publication of the “Policy Statement for the Countryside” (1<sup>st</sup> December 1990), a specific chapter was dedicated to the designation of rural centres as facilitators of services<sup>7</sup>. The four main urban areas (Nicosia, Larnaca, Limassol and Paphos) and also specific rural settlements that at the time had already become municipalities (Lefkara, Athienou, Polis Chrysochous and Paralimni) were excluded from this classification because their development policy was already or was going to be determined by Local Plans.

From the total number of the island’s rural settlements, 68 were qualified in order to be examined as rural centres, using as criterion a minimum population number (750 inh.). In cases that established informal regions did not have a settlement above 750 inh. (e.g. Marathasa region) historical and cultural criteria were taken into account.

As a next step 18 settlements were selected as 15 rural centres (4 of the settlements were regarded as a cluster acting as one centre) based on criteria of distance/ proximity and based

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<sup>6</sup> The Island Plan has remained inactive due to the Turkish military occupation of a substantial part of Cyprus and the forced division of the island. This led to the preparation and publication in the 1980s of the Policy Statement for the Countryside (PSC)

<sup>7</sup> The specific chapter was based on a study that was prepared for the same reason in 1986.

on the kind of services the centre already had (schools, health centres, police stations, post offices, banks, social welfare centres, district/ local administration offices) and on the influence area that each service was creating. Also the synthesised sphere of influence of each centre was regarded as a separate functional region.

After that these 15 centres were classified as small-medium towns, main rural centres and secondary rural centres based on the population projections for year 2000. Small-medium towns were not stated as that, but as «komopolis», which is a word representing smsts in local language (see chapter 1.1). Based on that time’s population projections only two settlements were eligible to be classified as SMSTs, Dali and Paralimni, but the second one wasn’t taken into account (wasn’t part of this classification as explained above). The classification was done based on the following criteria:

Type of centre	Population in 2000	Serviced Population in 2000
SMST (komopolis)	5.000 – 10.000	15.000 – 40.000
Main Rural Centre	2.000 – 5.000	8.000 – 15.000
Secondary Rural Centre	1.000 – 2.000	4.000 – 8.800

This was the first time, after the “deactivation” of the Island Plan, that regional planning for rural areas appeared in official development documents. A detailed policy was dedicated in strengthening these identified rural centres with measures like positioning of governmental/ semi-governmental/ private services, improvement of the infrastructure and the connection with the main urban centres, etc. Unfortunately it was the last time also (this chapter was removed a year after the publication).

### 1.3 Territorial organization of local government system

As explained previously, Cyprus is administratively divided into six Districts, named after the island’s principal towns and that also there are two types of local authorities; Communities are the local structure for generally rural settlements of less than 5,000 inhabitants, while Municipalities cover towns and larger settlements, mostly in urban and coastal tourist areas.

Each District is headed by an appointed District Officer who functions as the District representative of central Government, co-ordinates the activities of all Ministries and liaises between them at the district level. District Officers are part of the administrative structure of the Ministry of the Interior and report to the Minister and the Director-General.

The local administrative structure of Cyprus operates through a system of Municipalities and Community Councils. These are elected and administratively independent bodies responsible for strictly local affairs. Municipalities constitute the form of local government in the main cities (the district capital cities) and in a number of smaller towns mostly around the main cities and in coastal tourist areas. Any community may become a Municipality by local referendum, following an approval by the Council of Ministers, provided it has either a population of over 5,000 or a strong local economic base (like Ayia Napa, Athienou, Lefkara, Peyeia, Polis Chrysochous).

Municipalities are headed by the Mayor who is a directly elected as the president of the municipal council and as the executive authority of the Municipality. The Municipal Councils are also elected and they function as the local policy-making bodies, with responsibilities including street construction, maintenance and lighting, waste collection, disposal and treatment, the provision/maintenance of public open spaces, the protection and improvement of the environment and public health, along with additional activities in social services, education, the arts and sport. The resources of Municipalities are limited to revenues from local property taxes (set on low rates) and fees from building licenses, which typically fall short

of their increasing payroll, and Government grants (amounting to 1% of total Government revenue) allocated to all the Municipalities according to the population of each Municipality.

Moreover, larger municipalities have been delegated as competent Planning Authorities, responsible for granting planning permissions, ensuring the sustainable distribution of land uses, prohibiting the implementation of projects detrimental to public welfare and quality of life, monitoring conformance to planning system standards and conditions laid in granted permissions, and enforcing their implementation in cases of non-compliance. The following Table shows in broad terms the distribution of responsibilities between local and central Government and Municipal Authorities in Cyprus.

**Table 1.1 - Central and Municipal Level Responsibilities**

Decision-making level	Central Government Level	Municipal Level
Economic and Social Development Policy	XX	0
Land Use Planning strategy	XX	X
Preparation of Development Plans	XX	X
Issues of Planning Permits *	XX	X
Issue of Building Permits		XX
Social Housing Schemes	XX	0
Main Urban Road Network	XX	0
Local Road Network	X	XX
Water Distribution and Sewerage Network	XX	0
Environmental Management	XX	X
Nature Protection	XX	0
Education and Health Services	XX	0

XX = Main responsibility, X = Some responsibility, 0 = No responsibility

\* Only the largest Municipalities have powers for issuing Planning Permissions (Nicosia, Limassol, Larnaca and Paphos)

source: Camp Cyprus – Diagnostic Feasibility Report, 2002

The remaining communities are administered by elected Community Councils, which are significantly less autonomous than the Municipalities and with very restricted financial resources. Technical and administrative support to the community councils is provided by the central Government through the District Offices. Community Councils are headed up by the President of the council, who is the elected executive authority of the council.

Two independent bodies, the Union of Cyprus Municipalities and the Union of Cyprus Communities are bringing together in a voluntary association all the municipalities and the communities of the Republic. Their main objectives include presenting urban issues and developing local government autonomy, whereas its decision-making power is vested in their General Assembly/ Board of Directors, the decisions of which are implemented either by executive committees. In the last decade, mainly due to the involvement into EU programmes, almost all communities and municipalities are participating in 5 district development agencies (non-profit organisations with the municipalities/ communities being the stakeholders) in order to absorb the maximum possible of European funding.

In the past few years valid efforts are taking place in order to restructure the local authorities, mainly based on the strengthening of existing partnerships/ creating new partnerships (with support and incentives by the central government) of adjacent rural communities in order to facilitate their long term alteration into new municipalities. Also due to the recent economic austerity adjacent municipalities are now seeking to strengthen their own partnerships or to create new ones (the central government is also supporting partnerships between municipalities).

**Table 1.2 Small and/or Medium town: overview on different definitions**

	Definition	Criteria	Threshold(s)	Relation to the selected Case Study Towns <sup>8</sup>
<b>Statistical definitions</b>	<p><u>Urban areas:</u> for the four main city conurbations of the island – Nicosia, Larnaca, Limassol and Paphos. (they are also capitals of their homonymous districts)</p> <p><u>Rural areas:</u> for the rest of the island’s settlements</p>	<p>The Urban areas are exactly as delaminated in the 4 main cities Local Plans.</p> <p>These urban conurbations include the central urban settlement and surrounding suburban settlements that are gradually becoming part of the central settlement. The rest of the island is regarded as rural area.</p>	<p>Only 4 cities (conurbations) are defined as urban areas.</p> <p>There is no threshold. The selection of the 4 cities is based on the fact that they are capitals of their homonymous districts. Based on 2011 Census all 4 conurbations are above 50.000 inhabitants.</p>	Dali, Athienou and Paralimni are situated in the Rural Area.
<b>Political (administrative) definitions</b>	<p><u>Communities</u> And <u>Municipalities</u> for local government authorities</p> <p>Communities are the local administrative structure for generally rural settlements of less than 5,000 inhabitants, while Municipalities cover towns and larger settlements, mostly in urban and coastal tourist areas.</p>	<p>a) Population number or b) Strength of local economy.</p> <p>But there are no criteria differentiating urban form rural municipalities. The 4 urban conurbations are structured on a gradual merger of the central municipality with the suburb municipalities and communities. Regardless of the spatial merger of the settlements, the local administration of the city remains divided to each municipality/ community, without the presence of a metropolitan borough.</p>	<p>&lt;5.000 inh. (community) &gt;5.000 inh. (municipality)</p> <p>Any community may become a Municipality by local referendum, following an approval by the Council of Ministers, provided it has either a population of over 5,000 or has the economic resources to function as a municipality.</p>	Dali, Athienou and Paralimni are Municipalities.
<b>Definitions in national studies</b>	<p>“<u>Κωμόπολη</u>”- <u>Κομοπολι plural</u> <u>Κομοπολεis</u> (small-medium towns) based on the first publication of the “Policy Statement for the Countryside” 1990.</p>	<p>a) Rural service center, b) Area of influence by the services provided, c) Population number, d) Number of serviced population, e) Historical and Cultural criteria.</p>	<p>Above 5.000 inh. (no maximum threshold because the study was done only for the rural areas of the island and at the year it was prepared no settlement outside the urban areas had population above 10.000 inh.)</p>	Dali and Paralimni were defined as small-medium towns. Athienou was defined as a main rural center.

<sup>8</sup> See chapter 3.

**Table 1.3 Political and fiscal competences of towns (municipalities and communities)**

	Description
<b>Competences</b>	<p>Local self-government is recognised by the Constitution and by the Law for <u>Municipalities</u> (demos, plural demoi) and <u>Communities</u> (koinotita, plural koinotites). Both have mainly administrative competences. All in all, Cyprus has currently 6 Districts, 39 Municipalities (mainly in urban and touristic centres) and 485 Communities (mainly in rural areas).</p> <p>Out of the thirty-nine municipalities, nine correspond to the pre-1974 local authorities now located in the area of the Republic of Cyprus which is not under the effective control of the government<sup>9</sup>. These continue to maintain their legal status, although their mayors and councils have been temporarily displaced to the government-controlled area, as have the vast majority of their constituents.</p> <p>Although the Constitution guarantees self-government implicitly, it does not give any indication on local competences. However, national laws allocate administrative responsibilities to local governments.</p> <p><u>Municipal and communities responsibilities</u> include (in practice due to limited resources of the communities, certain of their responsibilities are frequently assumed by district services):</p> <ul style="list-style-type: none"> <li>• Public health;</li> <li>• Transport: maintenance of roads within their boundaries;</li> <li>• Street lighting;</li> <li>• Planning: local planning, land development, including building permits;</li> <li>• Public areas, including parks and cemeteries;</li> <li>• Environment, including waste disposal, sewage management and treatment, as well as water supply and management;</li> <li>• Economic issues (regulation of trade and business);</li> <li>• Municipal markets, and</li> <li>• Local tax system.</li> </ul>
<b>Fiscal autonomy</b>	<p>The resources of Municipalities are limited to revenues from <u>local property taxes</u> (set on low rates), <u>fees</u> from building licenses and other services, which typically fall short of their increasing payroll, and <u>Government grants</u> (amounting approximately 1% of total Government revenue) allocated to all the Municipalities according to the population of each Municipality</p> <p>About half of the municipal budget comes from grants and subsidies and the other half from taxation, user charges and fees. The Council of Ministers and the House of Representatives are responsible for the approval of the municipalities and communities' budgets.</p> <p>Education, Social Protection and Health are sectors with zero expenditure by the local authorities, because in Cyprus the central government has full responsibility regarding these matters.</p>

<sup>9</sup> Since 1974, the northern part of Cyprus (some 35.2% of the country's surface), including the towns of Famagusta and Kyrenia, remains under Turkish military occupation, outside the effective control of the Government. There are 9 municipalities and 135 communities in the occupied part of Cyprus.

<p><b>Horizontal coordination</b></p>	<p>The <u>Union of Cyprus Municipalities (UCM)</u> and the <u>Union of Cyprus Communities</u> are the main associations of local authorities in the country. Their core functions are to contribute to the development of local government autonomy, as well as to speak for local government interests vis-à-vis the central government.</p> <p>The <u>voluntary conglomeration</u> of local authorities is under discussion at central government level and should be adopted in the next years. This measure would notably allow for municipalities and communities to jointly promote various policies, projects and services. It must be noted that partnerships between neighbouring municipalities and communities are already taking place in the past decades for common service providing (sewage systems, waste disposal, water supply, etc).</p> <p>In the last few years, mainly due to the involvement into EU programmes, almost all communities and municipalities are participating in 5 <u>regional development agencies</u> (non-profit organisations with the municipalities/ communities being the stakeholders) in order to absorb the maximum possible of European funding and to realize their policies and goals by participating in EU Programmes.</p>
<p><b>Vertical coordination</b></p>	<p>There are no deliberative representative bodies at the regional level. However, on a case-by-case approach, Municipalities and Communities can participate in parliamentary meetings and express their views and opinions on the issues examined.</p> <p>However, the Union of Cyprus Municipalities and the Union of Cyprus Communities participate in the decision-making process concerning Cyprus national positions on EU matters through frequent consultations with the national ministries on various issues. This is nonetheless not an automatic procedure.</p> <p>National, regional and local <u>spatial planning policy</u> in Cyprus is prepared, approved and published by the central government. Local authorities are limited to issuing building permits but they are involved in the spatial policy development through participatory procedures (public calls for submission of ideas, proposals, public hearings, common municipal councils, objection periods, etc). Area schemes (masterplans) that are at the lower end of the spatial planning hierarchy and cover small areas of particular interest in a town can be prepared by a municipality, but again are approved by the central government through the same participatory processes.</p> <p>Moreover, larger municipalities (Nicosia, Larnaca, Limassol and Paphos) have been delegated as competent <u>Planning Authorities</u>, responsible for granting planning permissions, ensuring the sustainable distribution of land uses, prohibiting the implementation of projects detrimental to public welfare and quality of life, monitoring conformance to planning system standards and conditions laid in granted permissions, and enforcing their implementation in cases of non-compliance.</p>

## 2 Teritorial Identification of SMSTs

Cyprus is a country generally characterised by two dominant spatial development patterns. The first one is “Suburbanization”, which is caused by rapid population growth and sprawl in the suburbs located at the periphery of the four main urban areas. The second one is “Coastalization”, which has been taking form through uncontrolled and devastating tourism development sprawl upon prime agricultural land and invaluable coastal landscapes.

The pattern of suburbanization is typical for all the urban areas of the island (migration from the rural hinterlands). It must be noted that this tendency was rapidly augmented by new settlements for the displaced population during the period after the 1974 occupation and division of the island. The on-going trend for suburbanization is evident in all the urban areas, with population growth being much higher in the suburban settlements (some of them have doubled in size over the past decade), compared with the growth rate in the towns themselves.

Nicosia in particular, has been burdening with much heavier sprawl due to the problems caused by the division of the city that has been split right through its centre. This division has been imposed to the city for more than 50 years now and has transformed Nicosia into a “border city”, thus triggering a major population to the southern suburbs and fringe settlements. Nicosia is also the only inland urban area in Cyprus, all the rest are coastal.

Coastalization has rapidly evolved in the past 4 decades, mainly due to the coastal tourism development. Unfortunately prime agricultural land and unique coastal landscapes have been literally plundered because of the uncontrolled development. As explained in the previous chapter, substantial land use and development control policies came into force in 1990. Also in specific coastal touristic areas like Paralimni, because of local political issues, effective planning policies were delayed even more.

Over the last 30 years<sup>10</sup> the coastal urban areas have significantly increased in terms of population (aprox. 80%) and evidently more than the inland urban capital area that has shown an increase of approximately 60% over the same period. Strikingly the coastal rural areas have doubled in population over the last 30 years, exceeding the total population growth (aprox. 65%), the total urban population growth (aprox. 75%) and the total rural population growth (aprox. 50%) of the island, over the same period.

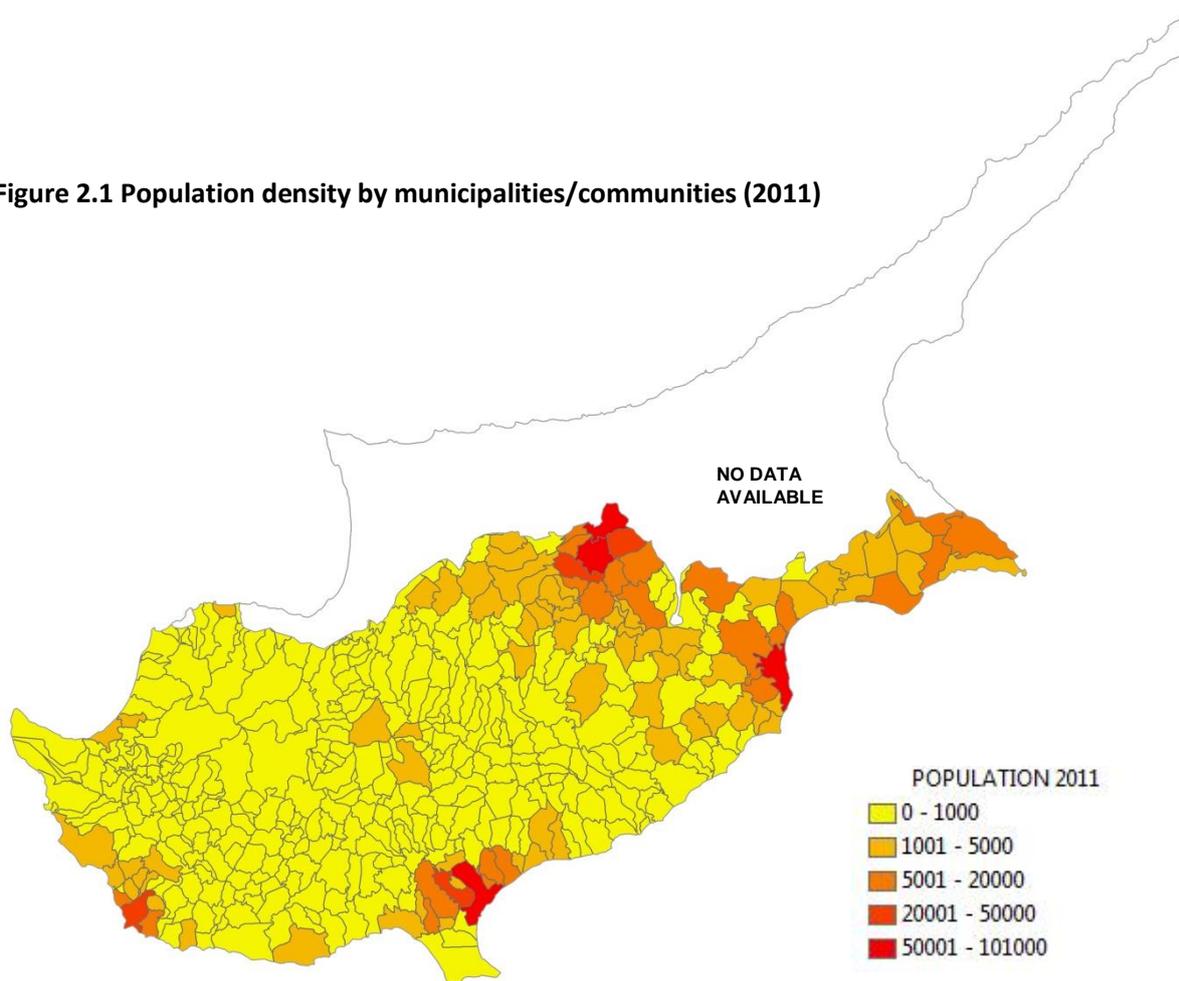
In regards of national (average) population density<sup>11</sup>, Cyprus is classified just above the EU-27 average (117 inh./km<sup>2</sup> in 2011) with 120.8 inhabitants per km<sup>2</sup>. In figure 1.1 we can observe that the population of the island is mostly distributed in the four main urban areas (Nicosia, Limassol, Larnaca, Paphos) and their surrounding rural settlements, as well as along the coastal touristic areas. It is also noticeable that a significant inland portion of the island has much lower population, which is essentially the mountainous and semi-mountainous area of the country.

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<sup>10</sup> Source: Censuses of 1982, 1992, 2002 and 2011. The Urban and Rural areas are as defined in the Population Censuses and the Local Plans (according to census 2011, 67,4% of the island’s total population was living in urban areas). The coastal areas are comprised by the (urban or rural) municipalities/ communities (Lau2 units) that are in contact with the shore line.

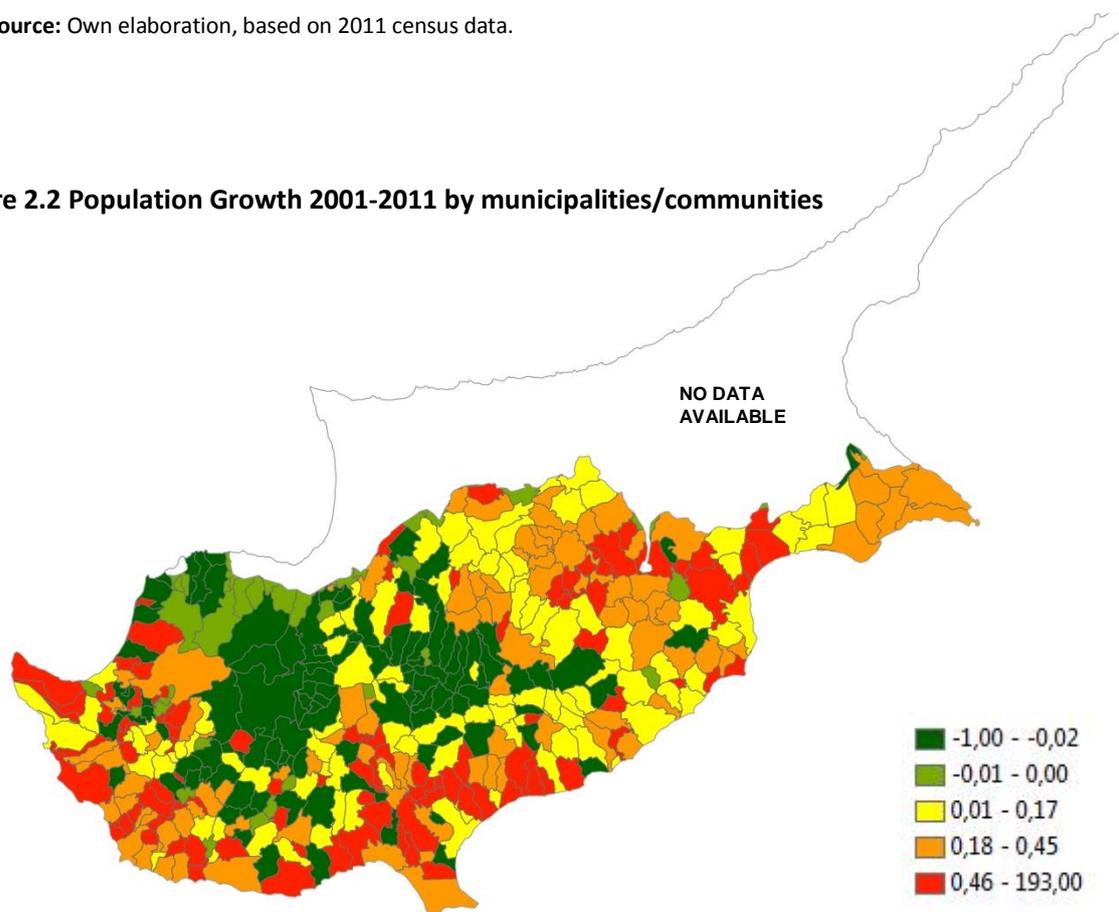
<sup>11</sup> Source: The World Bank Data, 2011. <http://knoema.com/atlas/Cyprus/Population-density>

**Figure 2.1 Population density by municipalities/communities (2011)**



Source: Own elaboration, based on 2011 census data.

**Figure 2.2 Population Growth 2001-2011 by municipalities/communities**



Source: Own elaboration, based on 2001 and 2011 census data.

## 2.1 Morphological/ Geomatic Identification of SMSTs

Small and Medium sized towns (smsts), as identified by the RA2 morphology analysis, are mainly concentrated in the four main urban conurbations of the island and in their rural-urban fringe (Latsia-Geri, Tseri, Dali, Ypsonas, Kolossi, Dromolaxia-Meneou, Voroklini). In addition, the coastal area at the northeast part of the island is concentrating a strong network of small-medium towns that have been benefiting from the tourist development (Paralimni-Deryneia, Sotira, Xylofagou). The only smt located in the relatively isolated inland rural area is the town of Athienou.

What must be noted is that during the RA2 morphology analysis the town of Paphos, which is one of the main towns (and district capitals) of the island, was also identified as a small-medium town. The study team has made recommendations in order to be considered as a high density urban cluster because of the following reasons: A) Firstly, the town of Paphos (as also the other main towns of the island) is an urban conurbation of suburban historical settlements that have merged with the historical central settlement (which carries the same name with the town). B) Secondly, the contiguous part of the urban area of Paphos (comprised from the central municipality of Paphos, the adjacent municipality of Geroskipou and the adjacent communities of Chlorakas, Empa and Konia) is covered by contiguous grid cells with density above 1.500 inh./km<sup>2</sup> and with population summing above 50.000.

In table 1.1 and 1.2 we can observe the distribution of population in Cyprus classified by the size of municipalities and communities. What is evidently noticed is that over 75% of the island's local administrations<sup>12</sup> have less than 1,000 inhabitants, and represent less than the 9% of total population. On the other hand, there are only 4 municipalities with more than 50,000 inhabitants: namely, and in order, Limassol, Strovolos, Nicosia and Larnaca.

The municipalities with 5,000 to 50,000 inhabitants include 40% of the total population, but they do not represent the island's small-medium towns. The polygons that were identified as smst's in the RA2 analysis are only 12 and significantly less than the 26 municipalities that are accounting population between 5.000 and 50.000. The main reason is that, as previously explained, many of these municipalities are part of the main urban conurbations of the island that are identified as high density urban cores. Another reason is that few smst polygons are formed by two contiguous settlements that belong to two different municipalities (e.g. Paralimni and Deryneia).

It is also interesting to underline that the municipalities/ communities falling in the threshold of population between 5.000 and 50.000 have increased in number from 2001 to 2011, but are having a smaller share over the total population (from 44,8% in 2001 to 40% in 2011). This decrease of share is due to the growth of specific municipalities that have jumped the threshold of 50.000 over the past decade. The increase in number is due to the growth of smaller settlements that have jumped the threshold of 5.000 over the same period.

The 12 smsts identified by the RA2 analysis are having a share of 19% on the total island's population (census 2011) and a share of 16% on the total nationwide job market (census 2001). Also these smsts have shown over the last decade a population growth of 37%, which is significantly higher than the population growth of the identified hducs<sup>13</sup> and the rest of the island's settlements (17% and 23% respectively).

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<sup>12</sup> Only the Lau2's that are inside the area that is under the effective control of the Government are taken into consideration.

<sup>13</sup> High Denisty Urban Cores (hducs) – Nicosia, Limassol and Larnaca were identified.

**Table 2.1. Distribution of population by size of municipality/ community (2001-2011)**

Population size	2001		2011	
	Number of mun./commun.	Total inhabitants	Number of mun./commun.	Total inhabitants
>100,000	0	0	1	101,000
50,001 - 100,000	2	153,775	3	174,386
20,001 - 50,000	4	150,045	4	116,145
5,001 - 20,000	15	158,689	22	220,384
1,001 - 5,000	67	155,895	68	157,694
< 1,000	310	71,161	300	70,798
<b>TOTAL</b>	<b>398</b>	<b>689,565</b>	<b>398</b>	<b>840,407</b>

Source: Own elaboration – based on 2001 and 2011 census data.

**Table 2.2 Distribution of population by size of municipality/ community (%) (2001-2011)**

Population size	2001		2011	
	Number of mun./commun. (%)	Total inhabitants (%)	Number of mun./commun. (%)	Total inhabitants (%)
>100,000	0	0	0,3	12,0
50,001 - 100,000	0,5	22,3	0,8	20,8
20,001 - 50,000	1,0	21,8	1,0	13,8
5,001 - 20,000	3,8	23,0	5,5	26,2
1,001 - 5,000	16,8	22,6	17,1	18,8
< 1,000	77,9	10,3	75,3	8,4

Source: Own elaboration – based on 2001 and 2011 census data.

## 2.2 Identification of SMSTs and their urban regions by means of functional analysis

Applying the proposed methodology<sup>14</sup> yielded a total of 7 micro-regions designated by job-centres which are maximum destinations of work-related commuting flows from at least one other municipality and have at least 1.000 jobs. Such micro-regions have been obtained applying a population threshold of 5.000 jobs in the Micro-Region (MR) and the criterion of physical integrity.

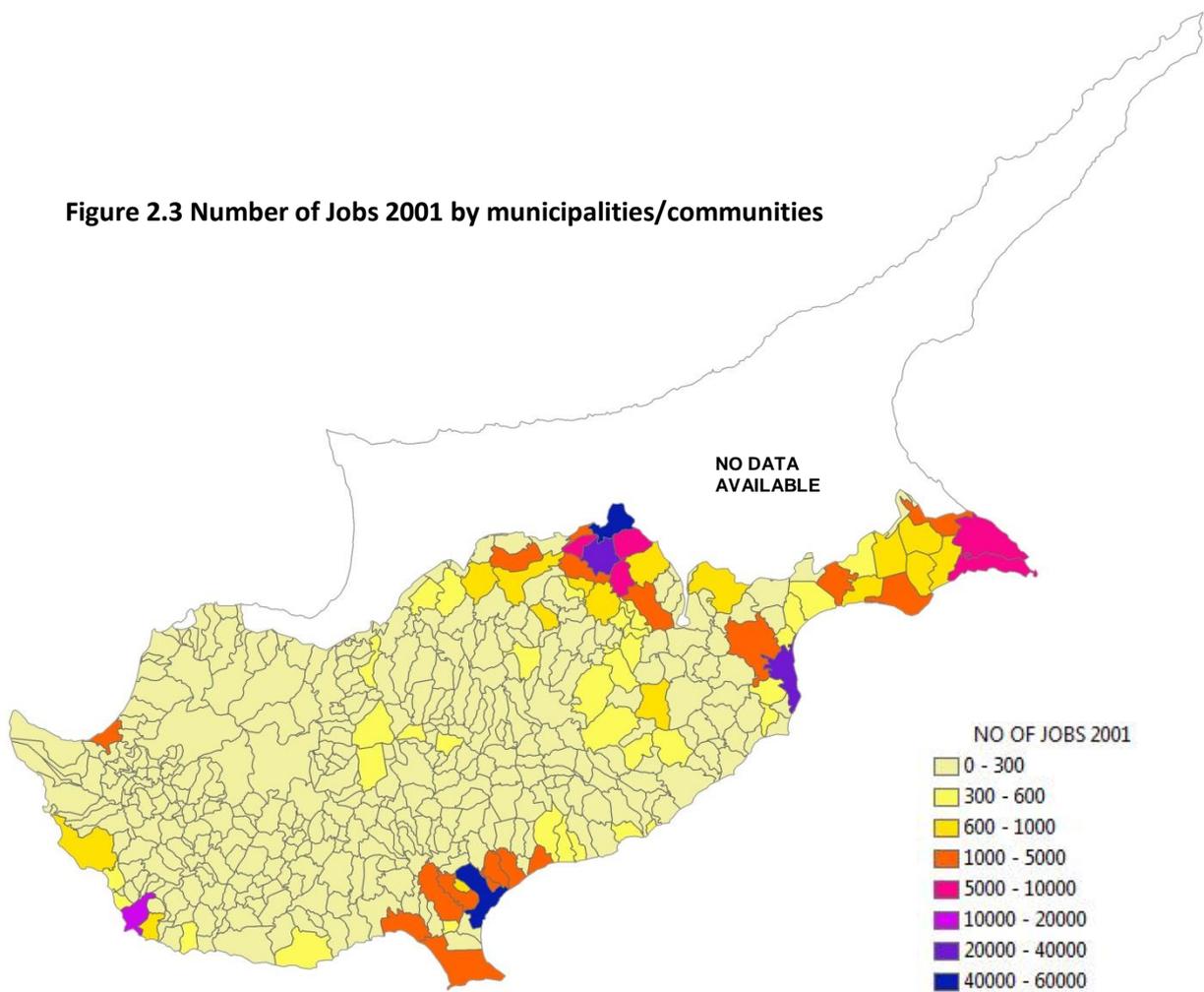
According to data analysed from Population Census 2001<sup>15</sup> only 21 municipalities and 6 communities were at that time having at least 1.000 jobs. But at the same time these local administrations were holding 85% of the total<sup>16</sup> island's market. In figure 1.3 it is observed that this share is concentrated mainly over the inland capital urban/ semirural area and along the coastal main urban/ tourist areas. Among the above mentioned Lau2's, 18 are identified as job centers and finally 7 of them are identified as urban/ microregional centers.

<sup>14</sup> The methodology was followed as proposed by the RA4 Functional Analysis team.

<sup>15</sup> No labour data available yet from population census 2011.

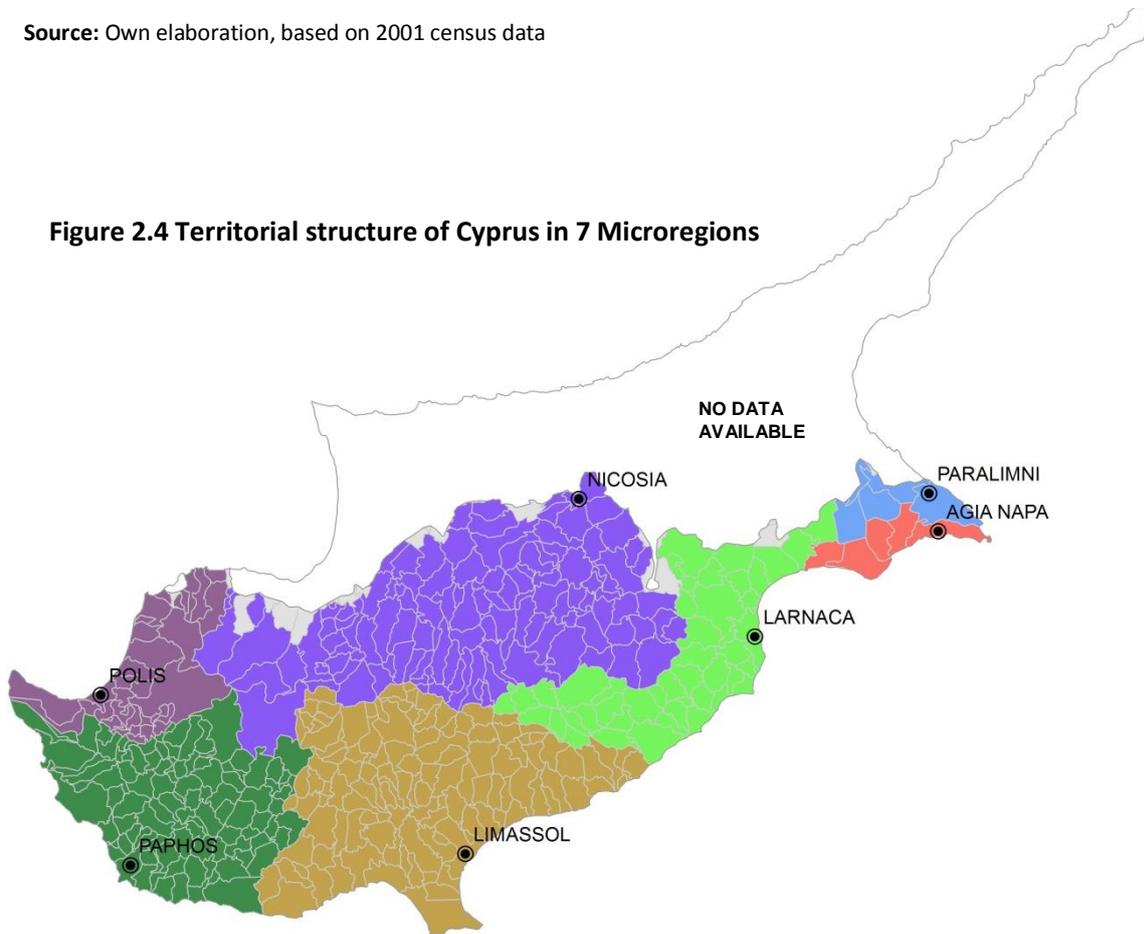
<sup>16</sup> Only the part of the island that is under the effective control of the Government is taken into consideration.

**Figure 2.3 Number of Jobs 2001 by municipalities/communities**



Source: Own elaboration, based on 2001 census data

**Figure 2.4 Territorial structure of Cyprus in 7 Microregions**



Source: Own elaboration, based on 2001 census data

The key statistical information of the microregions and their urban centres is provided in the following table. A number of observations can be identified:

- Regardless of the occupation and division of the island, Nicosia holds the bigger microregion of the island, with 40% share on total population (census 2011) and 43% share on total labour market (census 2001). Similarly the microregional center, which is the capital city of Nicosia, is the largest urban center of the island in terms of population and labour market. What must be noted is that the central municipality of the capital urban area (that carries the same name with the city), due to the occupation has lost control over more than half of its administrative area and as a result the area of the municipality that is under the effective control of the government has lost a significant total population share comparing the other 3 central municipalities (Limassol, Larnaca and Paphos). According to 1960 census, the central municipality of Nicosia was the largest one in terms of population and was holding 12.6% of the island's population. According to 2011 census the same municipality is the third largest and its share on total population has decreased to 6.5%. But strikingly this municipality is the largest one in terms of labour market (census 2001). This can be explained as a result of constant national policies to maintain and strengthen the role of this municipality as the capital center of the island
- The two biggest microregions, the ones of Nicosia and Limassol, agglomerate more than 50% of the total municipalities and communities. This is explained mainly because of the roles of the two microregional centers. Nicosia as the capital city of the island is the main employment center and Limassol as the main port city is the secondary one. Both microregions have a vast hinterland and have been attracting 70% of the total labour market (census 2001). These microregions are also agglomerating a significant number of municipalities and communities that administratively belong to the district of Larnaca.
- Specifically the city of Larnaca is losing its own hinterland from the adjacent competitors (Nicosia, Limassol and Agia Napa). Larnaca's microregion is agglomerating a comparatively small number of municipalities and communities. This could seem as a paradox, because Larnaca is hosting the main airport of the island. It can be explained as a lack of sufficient policies that could facilitate the airport as a beneficial factor for the city of Larnaca.
- The rest of the coastal microregions can be seen as areas depended on tourism development. Paphos as a district capital<sup>17</sup> and facilitator of the secondary airport of the island, is agglomerating more than double the number of municipalities and communities than Larnaca, but a much less share in terms of population and labour market. This is caused by the longer distance to the capital city of the island (Nicosia) and by its economy based primarily on tourism development. Polis, Paralimni and Agia Napa are smaller, less dense microregions which are based on single-product tourism related economy. Their microregional centers are not district capitals.
- The mountainous area of the island is not forming any microregions, its municipalities and communities are agglomerated to the above mentioned microregions. This is explained by the insufficient policies of the last decades to hold the population and the labour market of the mountainous settlements and to strengthen the largest ones as functional centers.

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<sup>17</sup> The cities of Nicosia, Limassol, Larnaca and Paphos are capitals of their homonymous districts.

**Table 2.3 Microregions in Cyprus ranked by population number and job market size – Key figures**

Micro-region Centre <sup>18</sup>	Class of MRC (Functional Analysis)	No of munic./commun. in MR	Population of MR centre 2001	Population of MR centre 2011	Population of Microregion 2001	Population of Microregion 2011	Employed Active Pop. of Microregion 2001	Employed Active Pop. of MR centre 2001	Labour market of Microregion 2001	Labour market of MR centre 2001
Nicosia	LC	114	200.686	239.277	274.387	331.456	127.687	96.237	124.548	107.574
Limassol	LC (AUTO)	118	154.151	180.201	198.954	238.265	84.189	67.535	78.151	66.003
Larnaca	NETW-LC	41	62.997	77.902	101.069	125.835	41.928	26.752	40.194	32.107
Paphos	NETW-SMST-D	98	39.281	53.130	60.971	82.218	25.903	18.301	26.139	21.328
Paralimni	NETW-SMST-S	5	11.091	14.963	24.998	31.265	11.623	5.299	10.132	7.459
Agia Napa	NETW-SMST-D	5	2.693	3.212	19.705	23.697	9.083	1.334	9.786	6.311
Polis	AGLO-SMST	36	1.847	2.018	6.974	7.698	2.785	820	2.805	1.360

**Source:** Own elaboration, based on 2001 and 2011 census data

<sup>18</sup> In the cases of the 4 main urban areas (Nicosia, Limassol, Larnaca and Paphos) the microregional centers are comprised from the central municipality and the adjacent municipalities/communities that are forming the contiguous part of each city. The central municipalities of the above 4 main urban areas, according to census 2011 were holding population of 55.014, 101.000, 51,468, 32.982 and according to census 2001 were having a labour market of 59.921, 54.713, 28796, 19.570 respectively.

Following the proposed methodology we next analyse flows between micro-regional centres in order to identify significant flows structures and classify urban centres according to their functional role in urban systems. The first step of focusing on the most relevant flows originated by any micro-regional centre, applying the Van Nuffel (2007) filtering technique, yields the pattern of flows described in Figure 2.5.

In this map we observe the role of Nicosia as the main hierarchical centre for the territory covered by the three higher ranked microregions of the island (Nicosia, Limassol and Larnaca), in terms of population number and job market size (table 1.3). These three microregions are holding 83% of total nationwide population (census 2011) and 83% of the total island's job market (census 2001). Paphos is at the same time networked with Polis and Limassol. The rest of the microregions are forming an isolated network one in the east part of the island (Paralimni and Agia Napa).

Applying the next steps of the filtering procedure, only flows that are significant in terms of the economically active population of the centre originating the flows are taken into consideration (threshold of 5% EAP share). The obtained pattern is represented in Figure 2.6.

In this map, we obtain a clearer-cut structure of the urban system patterns in the government controlled area of Cyprus. Nicosia has only one connection with another urban center, the one of Larnaca which is networked with the capital city of the island. Limassol stands as an autonomous urban center and the rest of the coastal microregional centers are forming two bipolar networks, the one in the east part of the island and the other to the west part. This lack of dependency to the capital inland center can be explained by two main reasons. Firstly it is an outcome of the division of Nicosia and the rest of the island. Secondly it is caused by the development trend of "coastalization" explained earlier in this chapter.

As a last step, we classify micro-regional centres on the basis of their role in urban systems and character of their networked relations, using the taxonomy introduced by the proposed methodology. The classification of MR was done according to the specified criteria, with some slight alterations<sup>19</sup>. It is presented in table 2.3 and mapped in Figure 2.6.

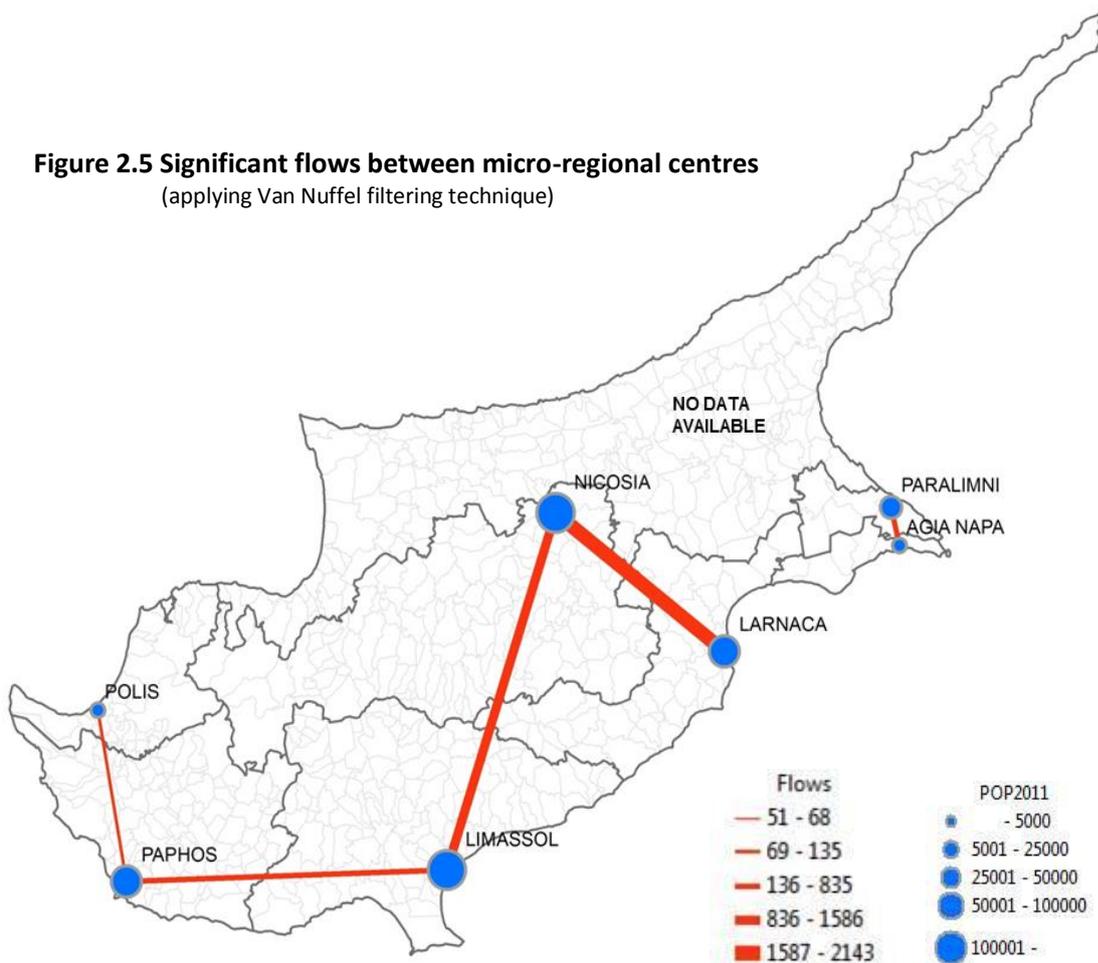
We then count among the micro-regional centres two large cities (Nicosia and Limassol), which are two out of four district capitals. The rest of the microregional centers are identified as small medium cities (among them, the other two district capitals Larnaca and Paphos). One of the identified smts (Larnaca) has a networked relation to a large city, three of them are networked centers (Paphos, Paralimni and Agia Napa) and the last one (Polis) is agglomerated to another smt. The two large cities are holding 50% of the total island's population (census 2011) and 60% of the nationwide job market (census 2001). The identified smts are holding 18% of the total population and 24% total job market. Additionally it is observed that the identified large cities had less population growth than the identified small medium towns, over the last decade (18% and 28% respectively).

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<sup>19</sup> The differences from the proposed methodology are:

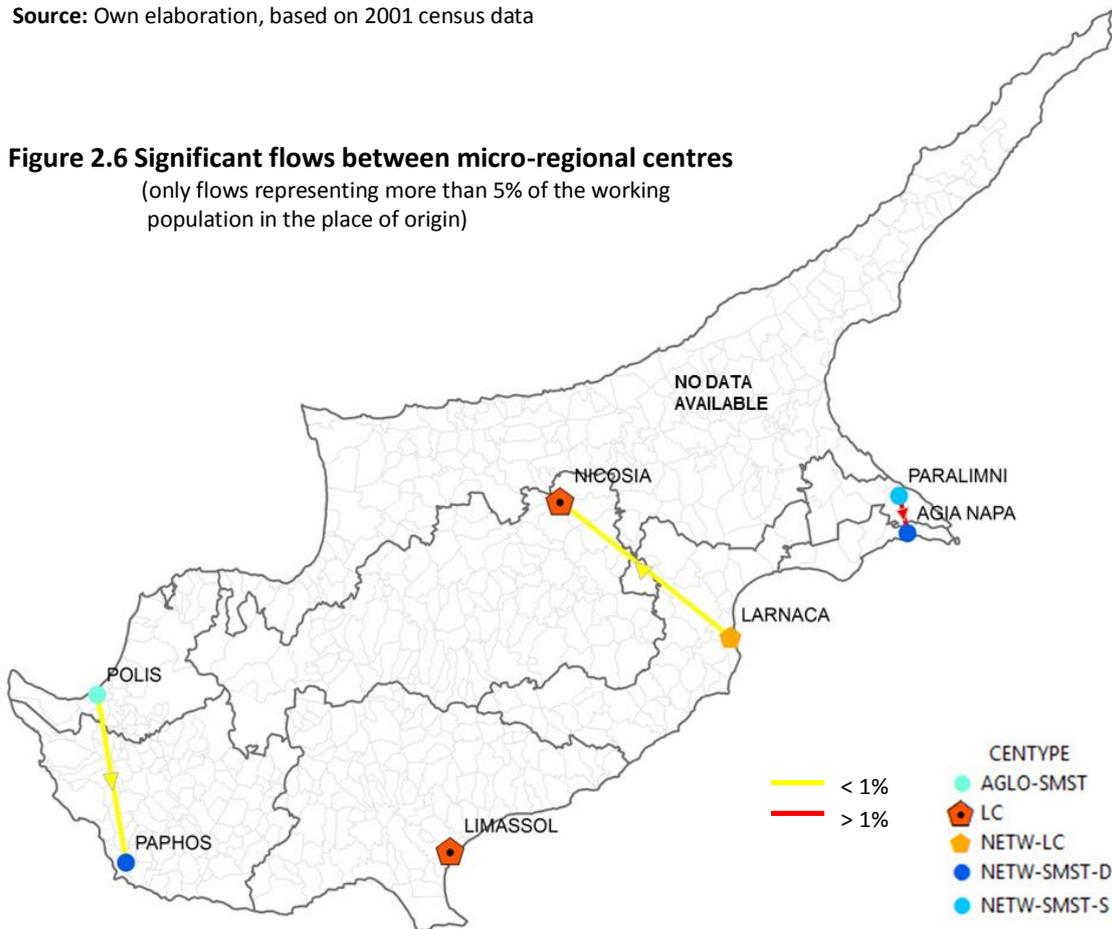
- Criteria to be considered a LC: a) Sharing Value B above 1 & b) population above 50.000 & c) no of jobs above 50.000 – (Nicosia is the only one)
- New category LC (AUTO) for Large Cities that are Autonomous with criteria: a) Sharing Value 0 & b) population above 50.000 & c) no of jobs above 50.000 (Limassol is the only one)

**Figure 2.5 Significant flows between micro-regional centres**  
(applying Van Nuffel filtering technique)



Source: Own elaboration, based on 2001 census data

**Figure 2.6 Significant flows between micro-regional centres**  
(only flows representing more than 5% of the working population in the place of origin)



Source: Own elaboration, based on 2001 census data

In general the 7 microregional centers are having a 68% share over the total nation's population (census 2011) and an 83% share over the total island's job market (census 2001). Also all the microregional centers (regardless of category) over the last decade have shown a slightly smaller population growth than the rest of the island's settlements (21% and 23% respectively). In terms of categories the netw-smts (Paphos, Paralimni and Agia Napa) have shown the biggest population growth over the last decade with a percentage of 34% (table 1.3). In terms of examining each microregional center, Paralimni had the biggest population increase over the same period, holding a percentage of 36%.

When confronting the RA2 morphological analysis and the functional analysis the following observations are highlighted:

- Larnaca is morphologically identified as a HDUC but in functional analysis it is identified as an SMST networked to a large city. As explained earlier in this chapter, Larnaca has not been able to be as competitive as the adjacent microregional centers that are large cities and thus is not succeeding functionally as a large city.
- Polis and Agia Napa are morphologically identified as VSTs<sup>20</sup> but in functional analysis they are identified as SMSTs. The first one is agglomerated to another small-medium town and the other one is networked as a destination with another small-medium sized town. Agia Napa has grown rapidly after the occupation and the division of the island<sup>21</sup>. From a small agricultural and fishing village before 1974 it has evolved as one of the biggest tourist resort areas in Cyprus, due to the facilitation of the tourist flow that was visiting occupied Famagusta. Polis is the administrative center for a significant number of small communities situated in the north part of Paphos district. It is also the center of a smaller tourist resort area. Due to the division of the island it is also servicing a small number of communities that belong to Nicosia district, but have lost their accessibility to the capital of the island. Both settlements are municipalities, even if they have population less than 5.000 because of the above reasons.

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<sup>20</sup> Very Small Towns (VSTs) as described in RA2 analysis.

<sup>21</sup> Before 1974, Varoshia (in Ammochostos) was the biggest tourist resort area of the island. After its occupation, the adjacent settlements of Paralimni and Agia Napa had almost equally to Varoshia good quality sandy beaches and took up the role of the occupied tourist resort area.

### 3 Territorial performance of selected SMSTs

The selection of three “local level” cases to study in depth in order to assess the role and performance of SMST in regional development and the scope for territorial policies takes into account the results of the Functional Analysis performed in the previous chapter and also the results of the Morphological Analysis conducted as part of RA2.

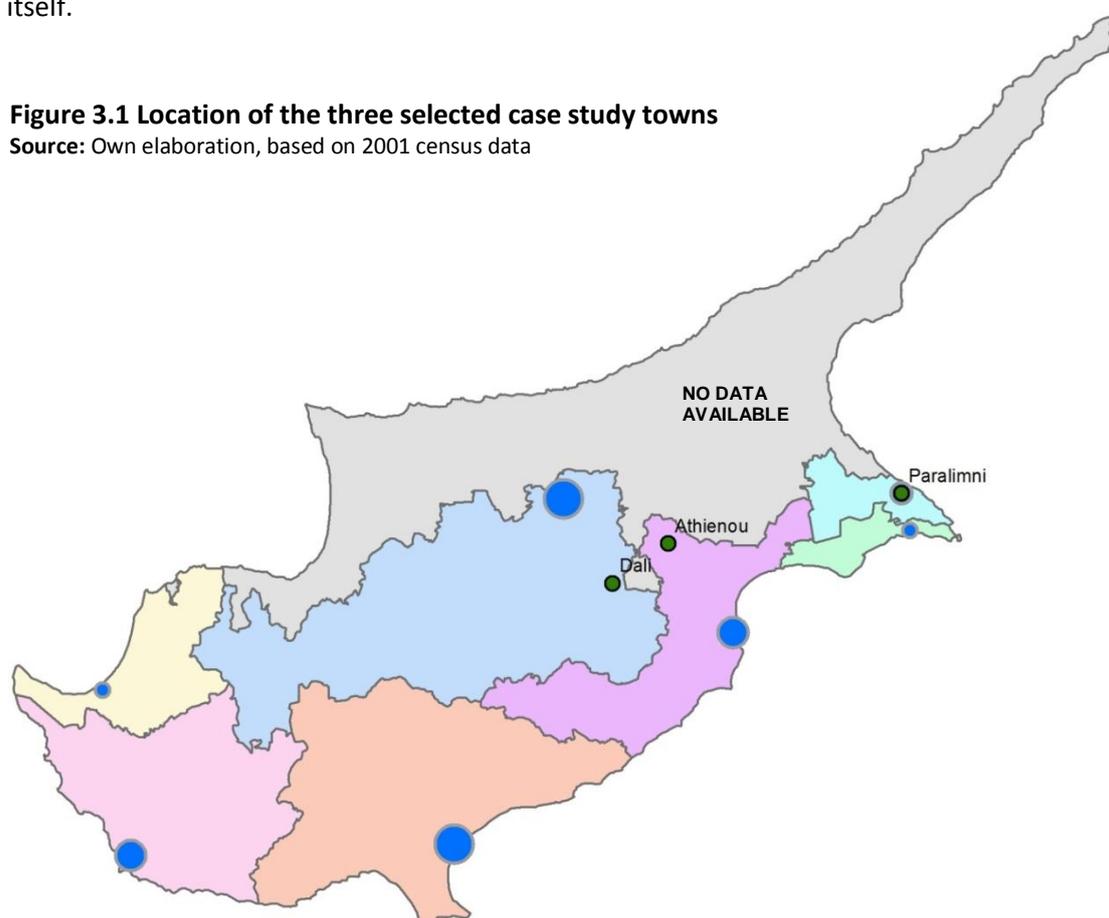
**Dali** is a municipality counting 10.466 inhabitants according to census 2011 and it is located at the south edge of Nicosia urban conurbation. It is agglomerated to the capital city and it is situated in an urban-rural environment. Dali is part of Nicosia’s microregion and it was selected as it is a typical example of a periurban town that has grown rapidly over the last decades due to the suburbanization development effects.

**Paralimni** is a coastal microregional center and a municipality with 14.963 inhabitants according to census 2011 and it is located at the southeast edge of Cyprus. It is networked with other neighbouring smsts and to another coastal microregional center called Agia Napa. Paralimni, as all the adjacent settlements, are depended primarily on tourism and related development. It was selected as it is a typical example of a coastal town that has grown rapidly over the last decades due to the coastalization development effects.

**Athienou** is a small rural municipality counting 5.017 inhabitants according to census 2011 and it is located at a relatively remote area. What is unique about this town is that it has been isolated due to the effects of the division of the island. That is the main reason that it was selected. Athienou is also part of Larnaca’s microregion, it is the smallest smst identified by the morphological analysis and it is functioning as a principal employment centre for itself.

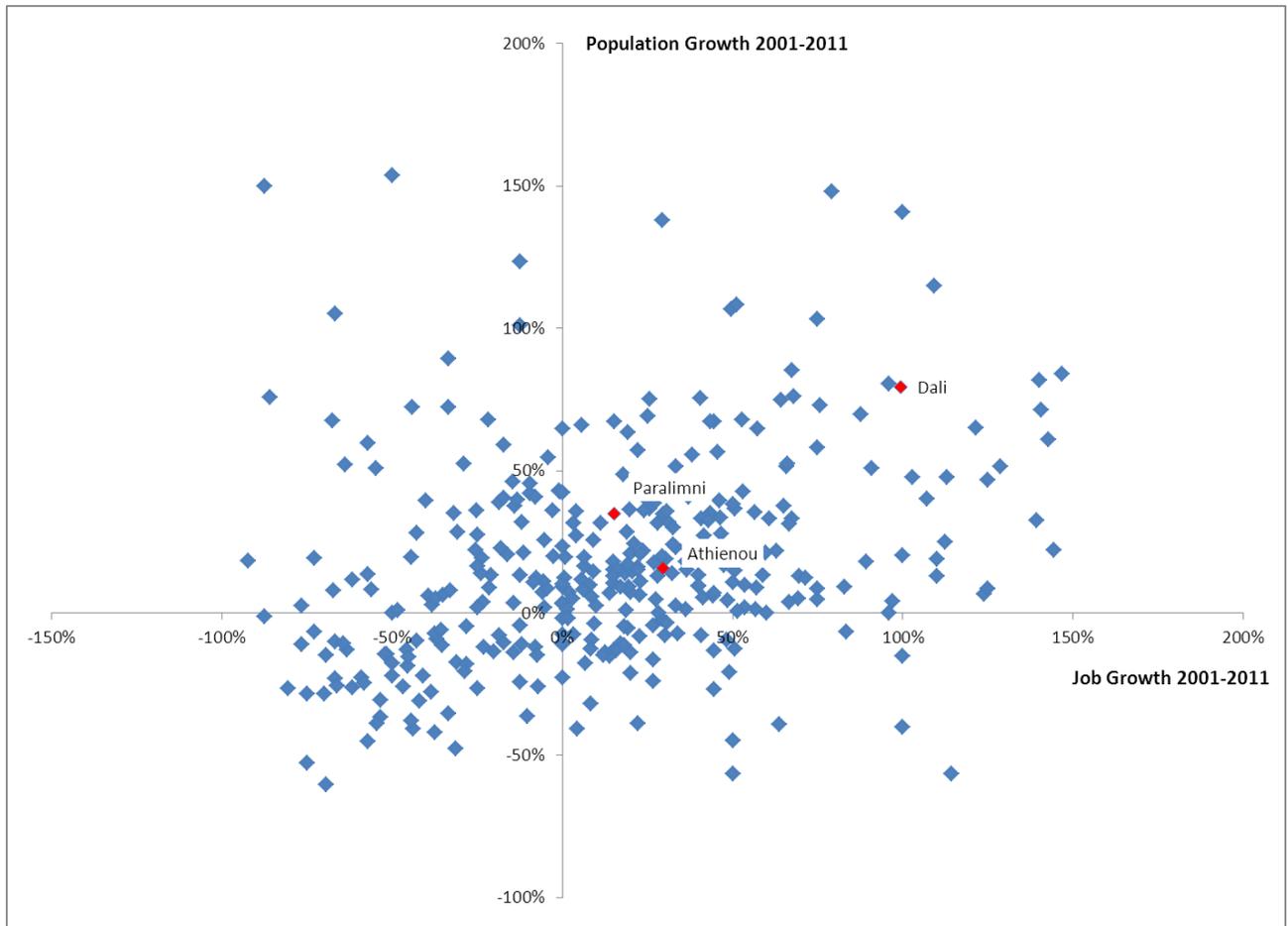
**Figure 3.1 Location of the three selected case study towns**

Source: Own elaboration, based on 2001 census data



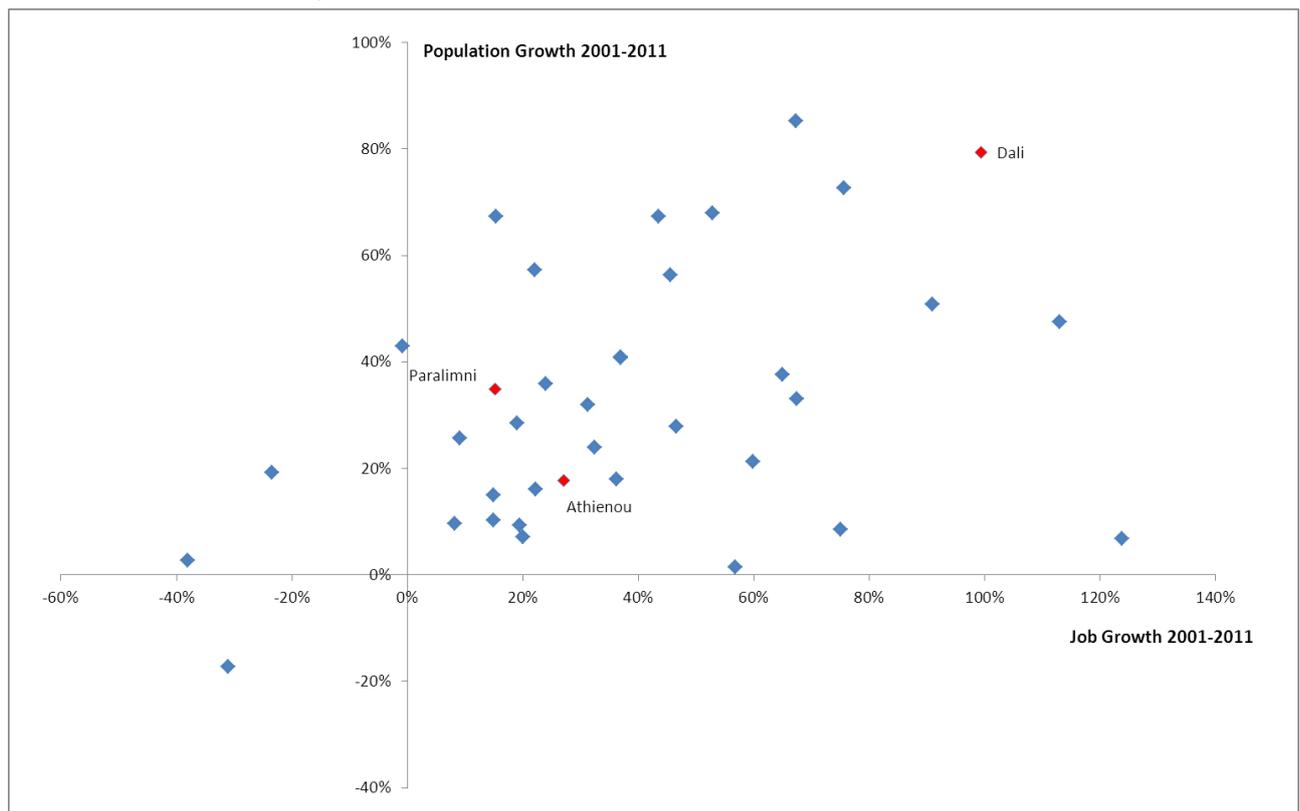
**Figure 3.2 Population and Job growth 2001-2011 in Cyprus (all municipalities and all communities)**

Source: Own elaboration, based on 2001-2011 census data



**Figure 3.3 Population and Job growth 2001-2011 in Cyprus (all municipalities and only communities above 5.000 inh.)**

Source: Own elaboration, based on 2001-2011 census data



These cases are presented in terms of population and job growth over the last decade, relatively to the rest of the settlements of Cyprus (see figures 3.2-3.3). All three of them have had positive growth rates both on resident population and on the number of jobs hosted.

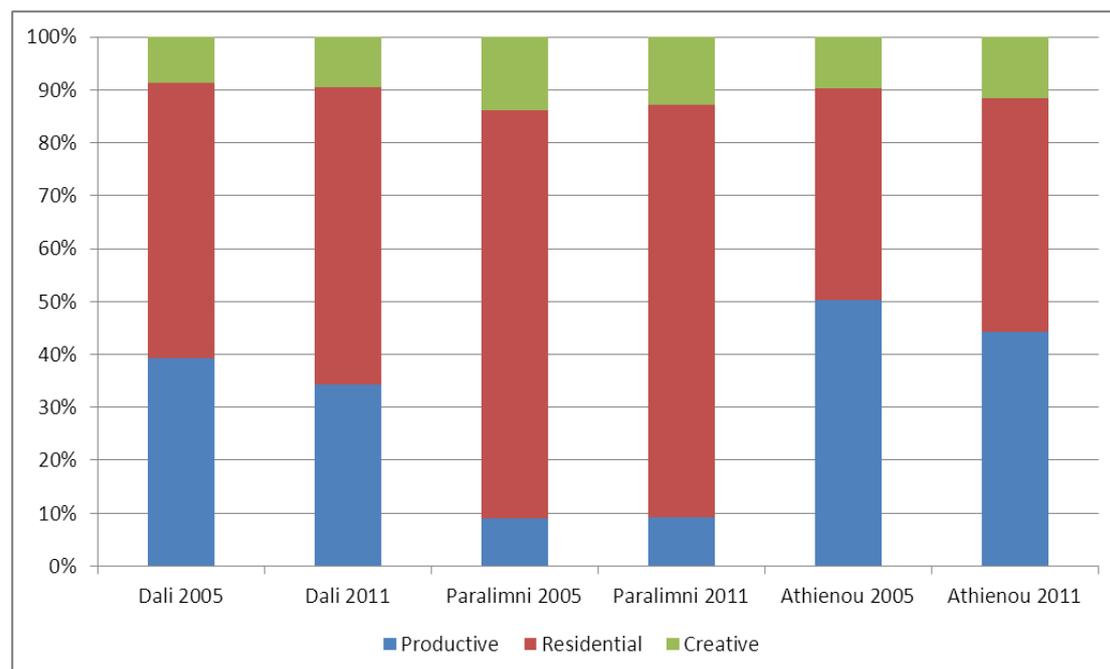
Dali is showing high balanced rates and it is ranked among the island’s municipalities with the most significant increase over the last decade. The rapid population increase is caused, as mentioned before, by suburbanization. A detached part of the settlement of Dali that is north of the town’s centre has been developed over the past decades as a prime suburb residential area and it is attracting a significant number of young families. Also the high job growth can be explained by the presence of the biggest industrial area of Cyprus in Dali. This industrial area has been thriving over the last years because of its strategic location, near the capital city and near the busiest highway hub connecting to the main port and airport of the island.

Paralimni as expected has much lower increase in terms of job growth and this can be easily explained due to the financial crisis that started in 2008. The coastal tourist areas were the first to show the impacts of this crisis and especially Paralimni that was benefiting heavily from the development of second home villas and apartments.

Athienou again as expected is showing low population growth. This is obviously is caused by its more isolated location. Job growth is surprisingly higher than its population growth. This is explained by the strong entrepreneurial spirit of this town. Even in more isolated location it has succeeded over the last decades to develop its agricultural and agroindustry sectors.

The productive nature of Dali and Athienou can also be illustrated in terms of economic profiling (see figure below). Paralimni as a commercial, service, administration and tourist centre has a much more residential oriented profile.

**Figure 3.4 Economic profiles of the three selected case study towns**



Source: Own elaboration, based on 2005-2011 census data

### 3.1 Dali

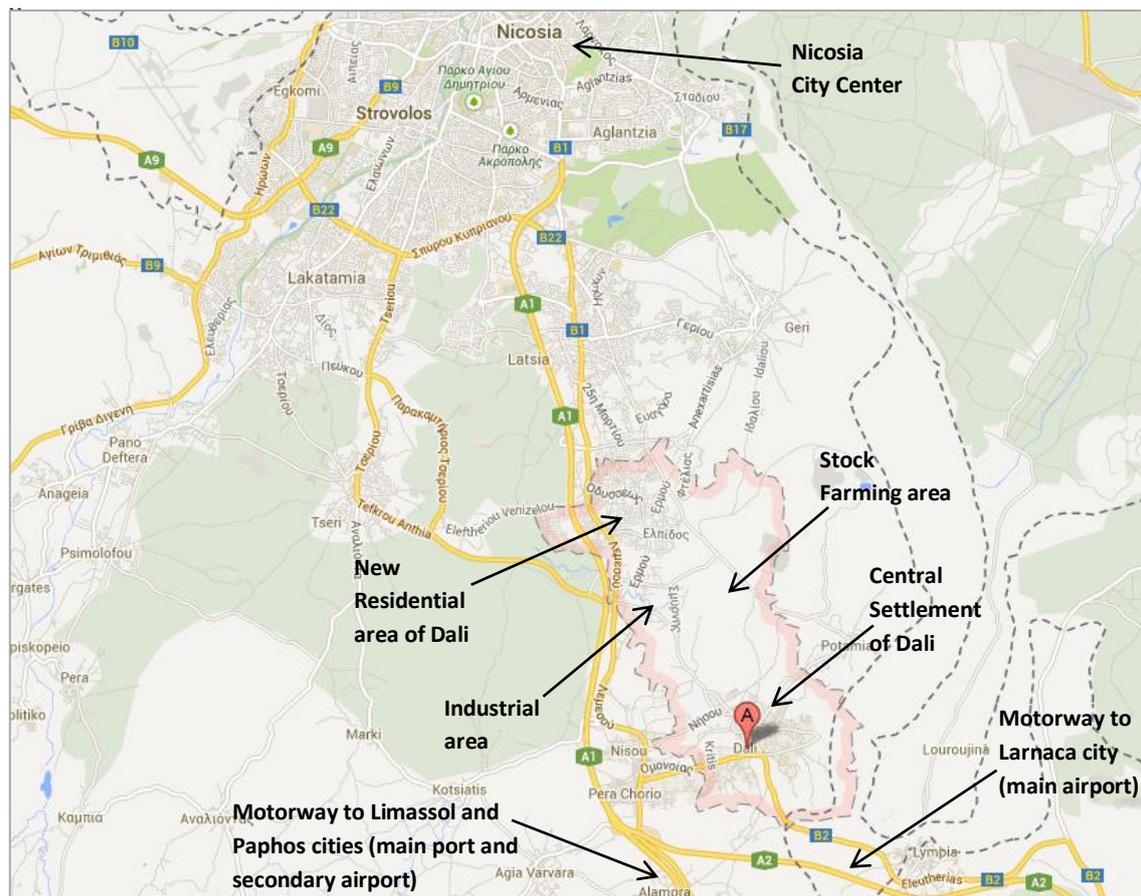
Dali, or Idalium (Greek: Ιδάλιον) is located in Nicosia district, about 17 kilometers south of the capital, at an altitude of 220m. Its administrative area covers an area of 32 square kilometers which includes two separate residential areas, agricultural and stock farming areas and two industrial zones. The main and central settlement of Dali is built on the south side of the river Idali. Since 1983 a new residential settlement was created in the north-east part of the administrative area of Dali municipality, bordering with the municipalities of Latsia and Geri.

According to history, Idalium was one of the 11 kingdoms of Cyprus that was founded by a Greek King from Sparta, called Chalkanoras, immediately after the Trojan War. This ancient city was founded around 1.100 BC, according to recent archaeological findings, and is assumed to have been destroyed by various causes (earthquakes, raids, etc). The archaeological site is considered to be one of the most important in Cyprus. Since 2007 a local museum has been launched and operating in order to host the findings from the excavations of the site.

Dali was traditionally acting as a rural village with most of its employment being resourced to the agricultural sector. But its location near to the capital city of the Island and to the highway has boosted it over the last 30 years to a small medium town with significant livestock farming facilities (Dali ranks first nationwide position in milk production with more than 100,000 litres daily) and the biggest industry facilities in Cyprus (related to manufacturing, wholesale trading, storage housing and logistics). Also the easy access to the Nicosia has created a strong connection with the town and thus giving the opportunity of employment in the capital city to many of the existing residents and by acting as a catalyst for the attraction of new residents.

**Figure 3.5 Positioning of Dali in relation to the capital city of the Island**

Source: Own elaboration, based on Google Maps imagery.



### 3.1.1 Profile of Dali

#### *Territorial Context*

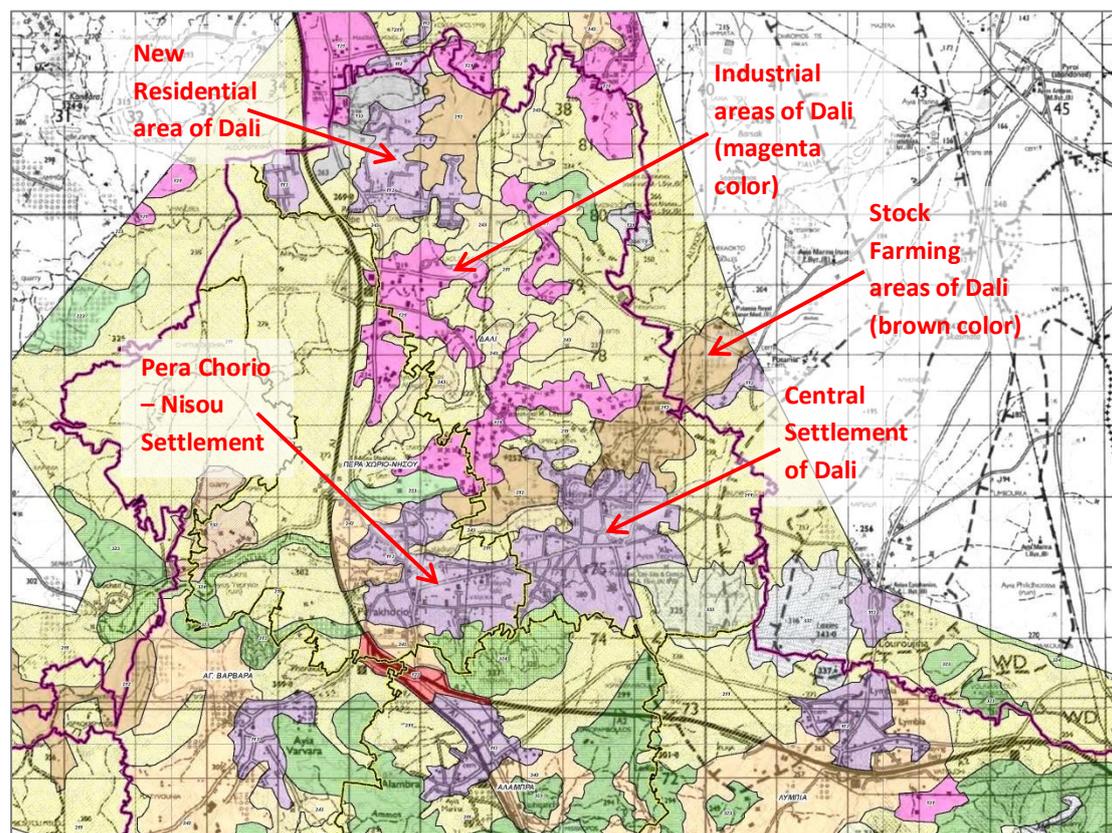
Dali is very small in population when compared to the microregion and the microregional centre of Nicosia. But when examined outside of the urban conurbation of Nicosia it is the biggest town of the microregion's rural area. Also it is the second largest town in the whole rural area of Cyprus (after Paralimni) and the biggest inland town of the island's rural area.

Agglomerated to Nicosia city, Dali has been benefiting the most as will be explained in the next pages. This connection with the capital city of the island has transformed it from a rural village to a thriving small peri-urban town, in a very short period of time. Being in a semi-rural environment with very good proximity to the city centre and its amenities, as also to the highway connecting to the rest of the island, gives to Dali a strategic advantage. Combined with low level and low density housing (1-2 floors height), good urban infrastructure (roads, pavements, street lighting, parks, playgrounds, etc) and local amenity provision (schools, health centres, local retail and recreation) are making Dali a high quality of living destination.

Dali is also networked with its neighbouring settlements, being a secondary job centre for most of them (Nicosia is the primary one) and the primary job centre for very few small ones. All the settlements together are starting to form a semi-rural conurbation, with the central amenities being mostly concentrated in Dali and the adjacent settlement of Pera Chorio – Nisou. For example Dali has a peripheral high school, a peripheral health centre and is hosting the bishopric (religious centre) of the greater area. On the other side Pera Chorio – Nisou has a peripheral gymnasium and the retail-market area which serves most of the settlements. Being so near to the capital city, there is no presence of bigger infrastructure (hospital, big retail centers, university, etc) and public administration facilities (central government ones).

**Figure 3.6 Corine Land Cover of Dali and neighbouring settlements**

**Source:** Strategic Environmental Study for the Local Plan for the area South of Nicosia, Enviroplan 2012



## Demography

Dali has grown remarkably in population over the last 30 years, with 170% increase over that period (3877 inh. Census 1982 to 10.466 inh. Census 2011) for reasons explained in the previous pages (due to suburbanization). As a municipality it is relatively small and much smaller than the large city of Nicosia (MRC), but it is showing obvious trends for even more growth in the next decades. Dali's newer separate residential area that is acting as a suburb for the capital city of the island has a large number of empty building plots and it is gradually merging with the rest of the Nicosia urban conurbation.

**Table 3.1 Population growth 2001-2011**

	2001	Weight in MR 2001	2011	Weight in MR 2011	Growth 2001-2011	Difference of Weight over total MR
<b>Total Cyprus</b>	<b>689.565</b>		<b>840.407</b>		<b>22%</b>	
Dali	5.834	2%	10.466	3%	79%	49%
MRC Nicosia	200.686	73%	239.277	72%	19%	1%
<b>MR Nicosia</b>	<b>274.387</b>	<b>100%</b>	<b>331.456</b>	<b>100%</b>	<b>21%</b>	<b>0%</b>

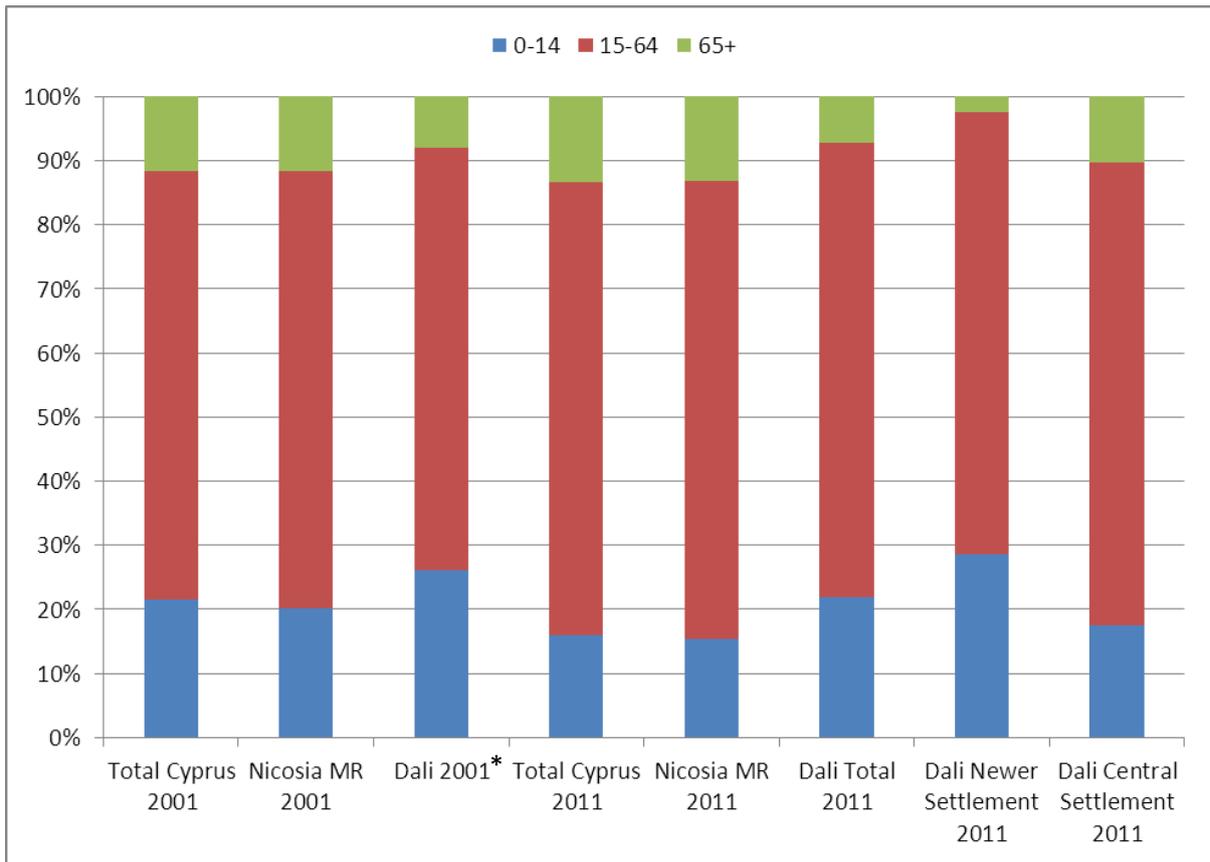
The dependency ratio of Dali appears almost equal to the one of the country's as a whole and to that one of Nicosia's microregion, but it has suffered a significant decrease (-21%). This is observed island wide and it is caused because of the percentage of the young population decreasing in respect to the active population percentage that is increasing (see figure 3.7). What is noticeable is that despite that the island and the microregion are obviously aging, Dali's older population is holding at a low rate. This is caused by what is mentioned earlier, namely the fact that the new residential area is attracting young couples. This is shown by that area's remarkably low aging ratio of 8%.

**Table 3.2 Aging (Old-Age Dependency) rate and Dependency (Total) rate growth 2001-2011**

	Aging Rate 2001	Dependency Rate 2001	Aging Rate 2011	Dependency Rate 2011	Aging Rate Relative Growth	Dependency Rate Relative Growth
<b>Total Cyprus</b>	<b>54%</b>	<b>49%</b>	<b>83%</b>	<b>42%</b>	<b>53%</b>	<b>-16%</b>
Dali Total	31%	52%	33%	41%	7%	-21%
Dali Newer Settlement	*	*	8%	45%	*	*
Dali Central Settlement	*	*	57*	39%	*	*
<b>MR Nicosia</b>	<b>57%</b>	<b>47%</b>	<b>85%</b>	<b>40%</b>	<b>49%</b>	<b>-14%</b>

\* No data available in Census 2001 for the central and newer settlement

**Figure 3.7 Population Age distributions 2001 and 2011**

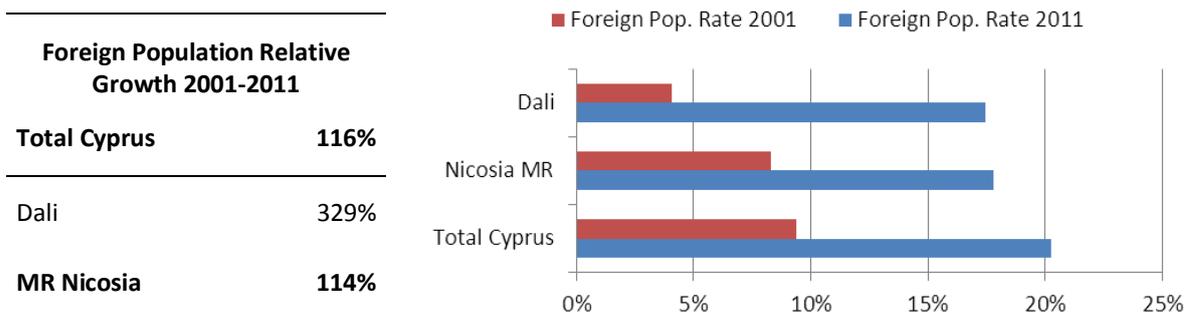


**Source:** Own elaboration, based on Census 2001-2011 data.

\* No data available in Census 2001 to present details for central and newer settlement.

All over Cyprus and also in the microregion of Nicosia, a huge increase of the rate associated to the foreign population is observed. Dali exceeds even more this rate, presenting 329% increase over the last decade. This can be explained as an effect caused by the combination of a) rapid growth that was experienced island wide in the recent years before the financial crisis and b) the accession of Cyprus to the EU (most of the increase is attributed to EU citizens). In Dali most of the foreigners are workers employed mainly in the stock farming sector and the industrial area. A significant number of foreigner workers are also employed as domestic workers and in the construction sector.

**Figure 3.8 Weight of foreign population over total population & relative growth, 2001-2011**

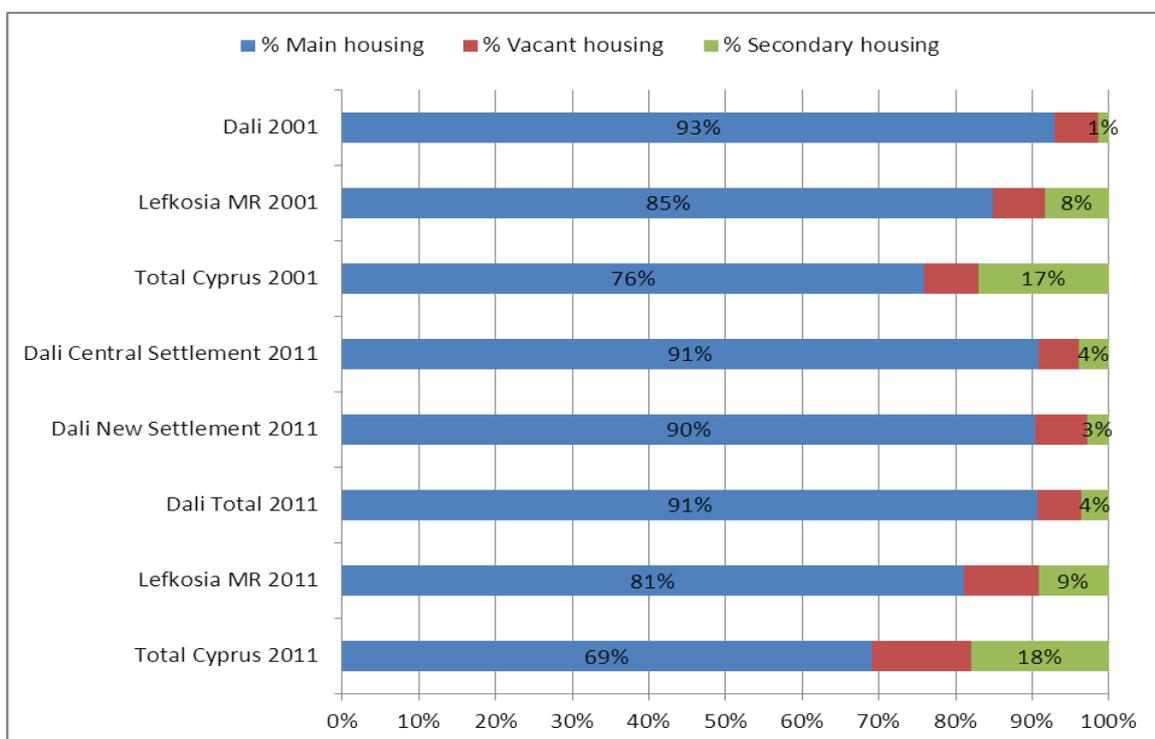


**Source:** Own elaboration, based on Census 2001-2011 data.

## Housing

As expected most of Dali's living quarters belong in the category of main housing. The rapid growth of this town is also proven by the fact that the total housing stock has doubled over the last decade (from 1.794 in 2001 to 3.632 in 2011). One could argue that this raise must be mainly impact of the housing bubble. But an amount of 2,52 new inhabitants corresponds to every new house built in this decade (in contrast to the nationwide ratio that is only 1,08 new inh. per new house). Dali's significant attractiveness as a residential area can be also observed by the fact that there was no weight change of the vacant housing over the same decade. This zero change can be even more impressive when compared to the vacant homes weight change suffered nationwide and caused by the excessive construction topped by the financial crisis. The weight change and the rate of growth of the secondary housing in the town may seem high, but when observed in numbers it doesn't raise alarms (from 24 in 2001 to 128 in 2011).

**Figure 3.9 Housing Structure (weights)**



Source: Own elaboration, based on Census 2001-2011 data.

\* No data available in Census 2001 to present details for central and newer settlement.

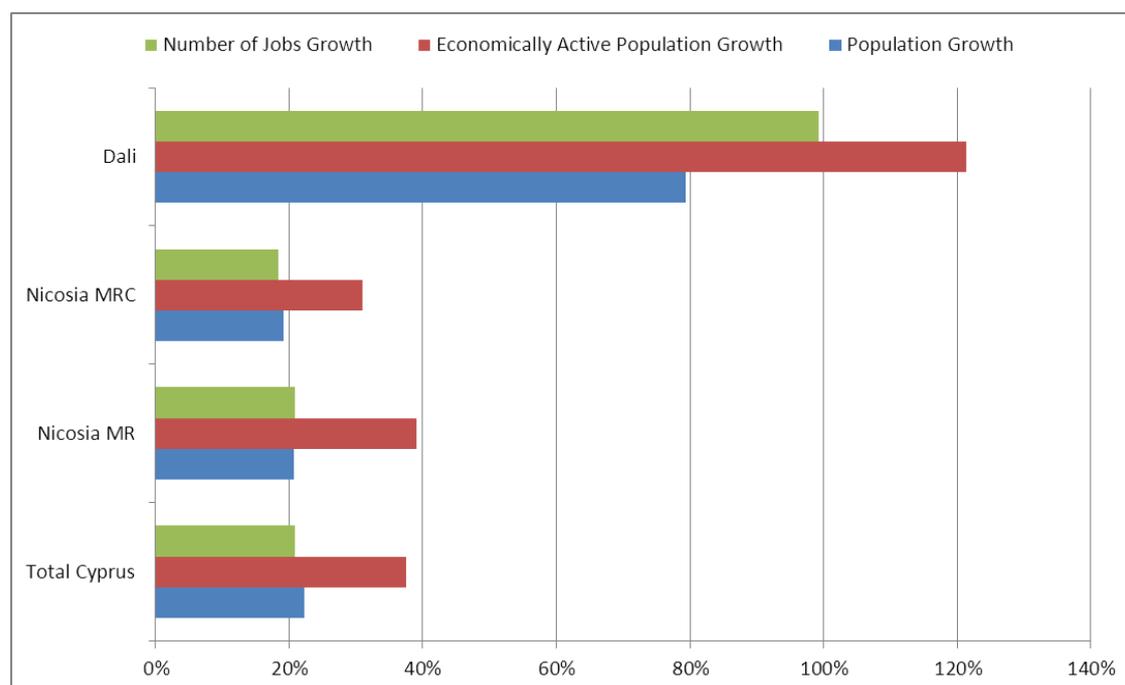
**Table 3.3 Typology of Housing Evolution 2001-2011**

	Weights' Change 2001-2011			Rate of Growth 2001-2011			
	Main housing	Vacant housing	Secondary housing	Total housing	Main housing	Vacant housing	Secondary housing
<b>Total Cyprus</b>	-9%	82%	6%	48%	35%	164%	44%
<b>Dali</b>	-2%	0%	163%	102%	98%	101%	433%
<b>MR Nicosia</b>	-4%	45%	10%	38%	32%	93%	49%

### Socio-Economic

Dali has doubled its resident economically active population between 2001 and 2011, a growth that also occurred, at a lower rate, for the total population and the number of jobs. This pattern of high growth is not observed in the city of Nicosia and the microregion in general. What is noticed is that there is a repeated pattern of the growth of the active population being always higher than the one of the total population and the number of jobs. Dali is showing a distinct difference from the other presented areas, its number of jobs has more than the total population. Again these data confirm the growth that has been witnessed and explained by the experts interviewed, who highlighted the evolution of Dali into a residential destination for the entire urban and semirural area of Nicosia.

**Figure 3.10 Resident Population, Resident Active Population, No of Jobs 2001-2011 (growth rate)**



Source: Own elaboration, based on Census 2001-2011 data.

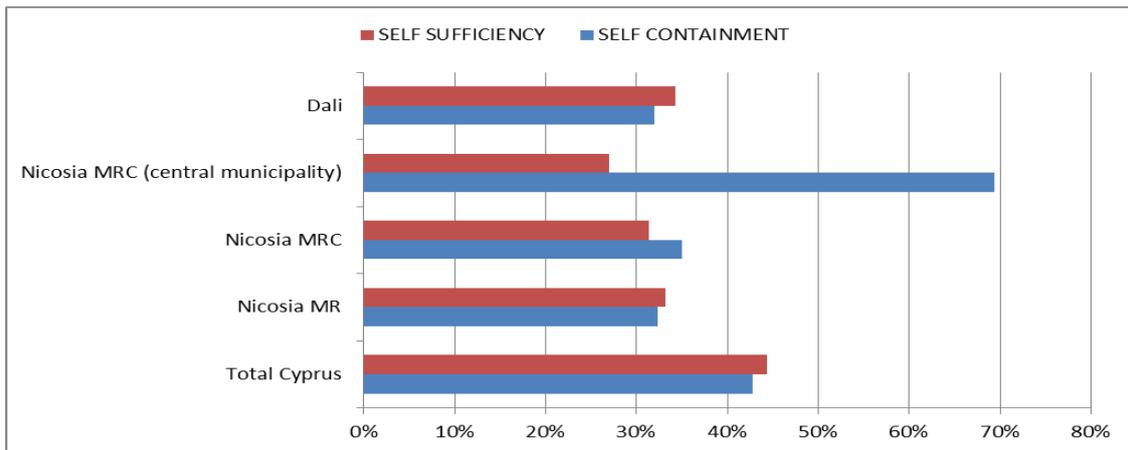
The 2001-2011 employment data, however, does not fully reflect the impact of the economic crisis in the labour force, something evident if one looks to the evolution of unemployment, which in average is in 2011 four times higher than the 2001 data. The highest increase in the unemployed is observed in Dali, coming from a situation of a very low unemployment rate. This rate must have risen even more in the past two years, as the national unemployment on June 2013 was registered at 17.3% and still rising rapidly.

**Figure 3.11 Unemployment rates 2001-2011**

Source: Own elaboration, based on Census 2001-2011 data.



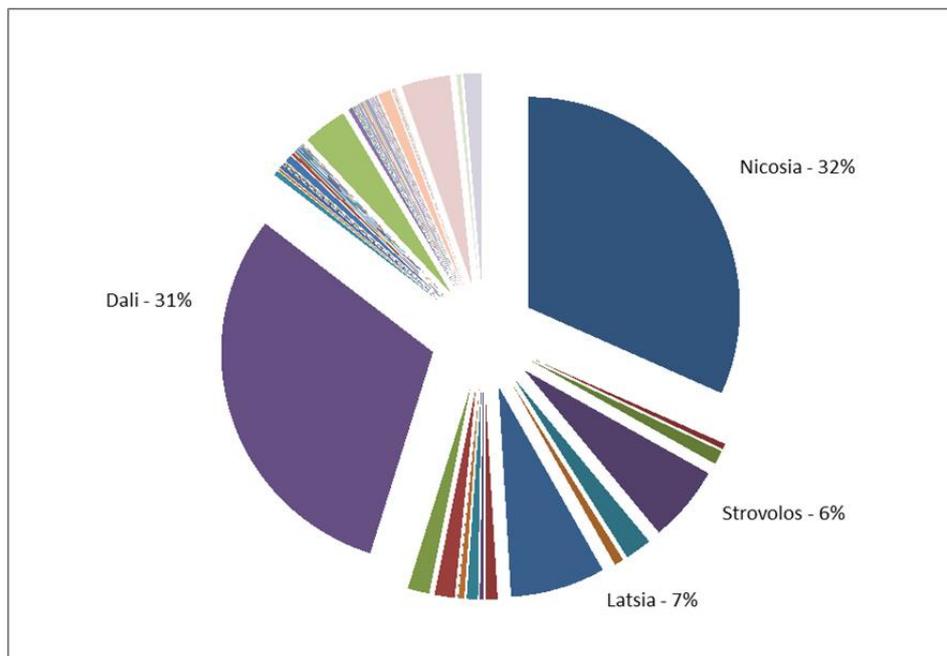
**Figure 3.12 Self-sufficiency and self-containment indexes of the local labor market<sup>22</sup>, 2001**



**Source:** Own elaboration, based on Census 2001 data.

Dali has a self sufficiency of 34% indicating that more than half of the jobs available in the town are occupied by non-local residents. Its index is ranging slightly above of Nicosia’s microregion and the capital city (MRC). What is noticeable is that all of the areas are showing a lower index than the national average. In terms of self-containment, all the areas (except one) are presenting low percentages, indicating a high labour-related commuting for the residents. The only area differing is the central municipality of Nicosia city, which is presenting high self-containment and explaining that is one of the few areas in Nicosia microregion where most of its own residents work where they live. Also from Dali’s labour-related commuting pattern below, a strong agglomeration with the capital city (50%) and its centre (32%) is observed.

**Figure 3.13 Labor-related commuting destinations from Dali, 2011**



**Source:** Own elaboration, based on Census 2011 data.

<sup>22</sup> Self-containment is the share of ea residents that also work in the same municipality/ community. Self-sufficiency is the share of local employment covered by local residents. The indexes of Nicosia MRC, Nicosia MR and Total Cyprus that include more than one municipality/ community are calculated cumulatively on a per Lau2 basis.

### Economic structure and evolution

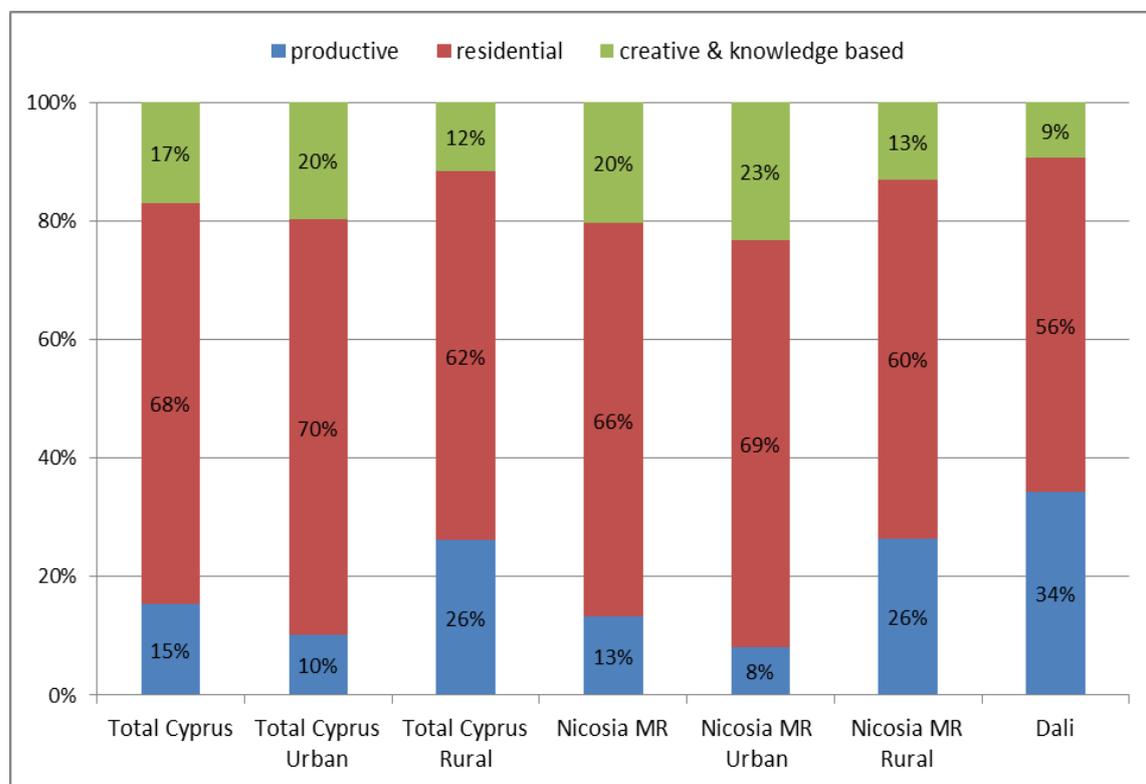
The main reason explaining the transformation of Dali's economy in the past few decades is its strategic location near the capital of the island, combined with the accessibility to the highway linking the capital city to the main airport and port of the country. This location advantage has attracted the establishment of the island's bigger industrial area and has driven to a rapid development of suburban residential areas in Dali.

The towns' economy formerly based primarily on agriculture has shifted to industry (manufacturing, repairing, wholesale, storage/ logistics, etc), construction of housing and services related to industry and household activity. A significant proportion of the economy is still based on agriculture, mainly in cattle-raising and milk-production (Dali is the biggest milk provider in Cyprus).

In terms of jobs provided Dali ranks 11<sup>th</sup> among the rest of the municipalities and communities of the island (according to 2011 census) and has gained 5 places in the last decade (was 16<sup>th</sup> according to census 2001). Dali acts as a secondary employment centre, the bigger in the rural area of Nicosia MR when examined outside of the capital urban conurbation. In terms of number of jobs, it is the third largest in the whole rural area of Cyprus (after Paralimni and Agia Napa) and the biggest inland town of the whole island's rural area.

The main economic profile based in the number of workers by sector is the residential one with 56% of the labour force. The productive profile sums up to 34%, it is significantly higher than the other areas presented in figure 3.14 and it illustrates what has been mentioned earlier about the intensity of the manufacturing and agriculture sectors in Dali. For example the weight of the Nicosia microregion productive profile is almost three times smaller than the productive weight of Dali.

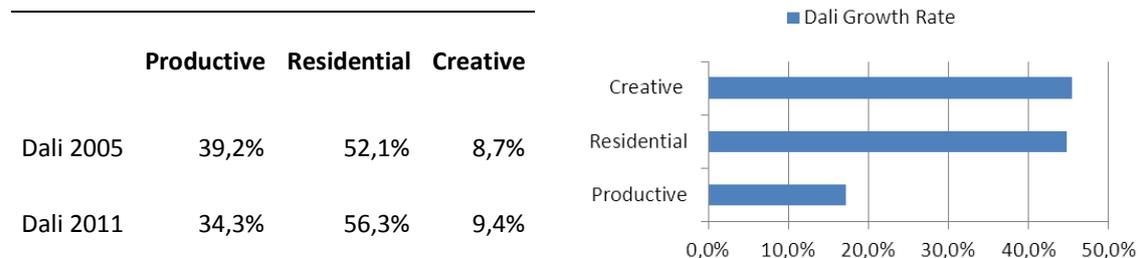
**Figure 3.14 Job distribution by economic profiles, 2011**



Source: Own elaboration, based on Census 2011 data.

Creative and knowledge based functions in Dali are significantly lower than the other areas, but have been gaining ground over the productive in the last years. As observed in figure 3.15 the productive profile is not growing as rapidly as the other two profiles over the last decade. This can be explained as an outcome of the rapid suburbanization of Dali, significant increase in new households results in the increase of the residential profile and the high concentration of young couples with high level educational attainment results to the increase of the creative and knowledge based profile.

**Figure 3.15 Economic Profile Weights 2005-2011 and Growth Rate**



**Source:** Own elaboration, based on Census 2005-2011 data.

Therefore Dali has a well-balanced productive-residential related economy mainly based on the manufacturing sector (NACE C, 2011) with a 24% over the total jobs and on the wholesale, retail and repair sector (NACE G, 2011) that holds 33% of the jobs. Both sectors have shown a significant increase in job number over the last years, with 14% and 45% incline respectively. It must be noted that the jobs and businesses of the G sector are mostly concentrated in the industrial area and function on a supra-local level (there is no important retail-market area located in Dali). Construction was summing 12% of the jobs in 2001 but has dropped to 6% in 2011, due to the property bubble burst and the rapid decline in new house construction.

The agricultural sector has remained stable to a 9% share over the total employment, with a 14% increase in job number over the last decade. This must be taken into account as a very healthy outcome, because on a national scale the percentage of jobs that belong to the agricultural sector are declining rapidly (approximately -50% in the last decade). This outcome can be contributed to Dali's industrialization of cattle farming and milk production.

The interviewed stakeholders have highlighted the importance of the industrial area not only for the town of Dali, but for the economy of the capital city (Nicosia) and the rest of the island. It is calculated that more than 50% of the total number of jobs of Dali town are concentrated in this industrial district, which as mentioned before is hosting non only manufacturing activities. According to information given by the Cyprus Chamber of Commerce and Industry (Nicosia department), there is a high demand for new facilities by enterprises in the area primarily for storage facilities, logistics and distribution centres. This dynamic is also imprinted in the numbers above, as the G sector has a dynamic evolution over the C sector (manufacturing). Both sectors have a balanced presence in the industrial area, but a trend of use-change has emerged in the last years, as older manufacturing units are transformed to logistics/ distribution centres.

Also, during the interviews, the Mayor of Dali has pointed out the significance of the town as a prime residential area with high standard of living. The preference for housing in Dali's residential areas is translated in numbers in the previous pages (especially for young couples).

The trends for Dali are revealing that the residential and creative sectors have more dynamism and most probably will be gaining more ground over the productive in the next years. Definitely a scenario with the productive sector having negative growth must also be taken under consideration, when exploring relative policies.

### 3.2 Paralimni

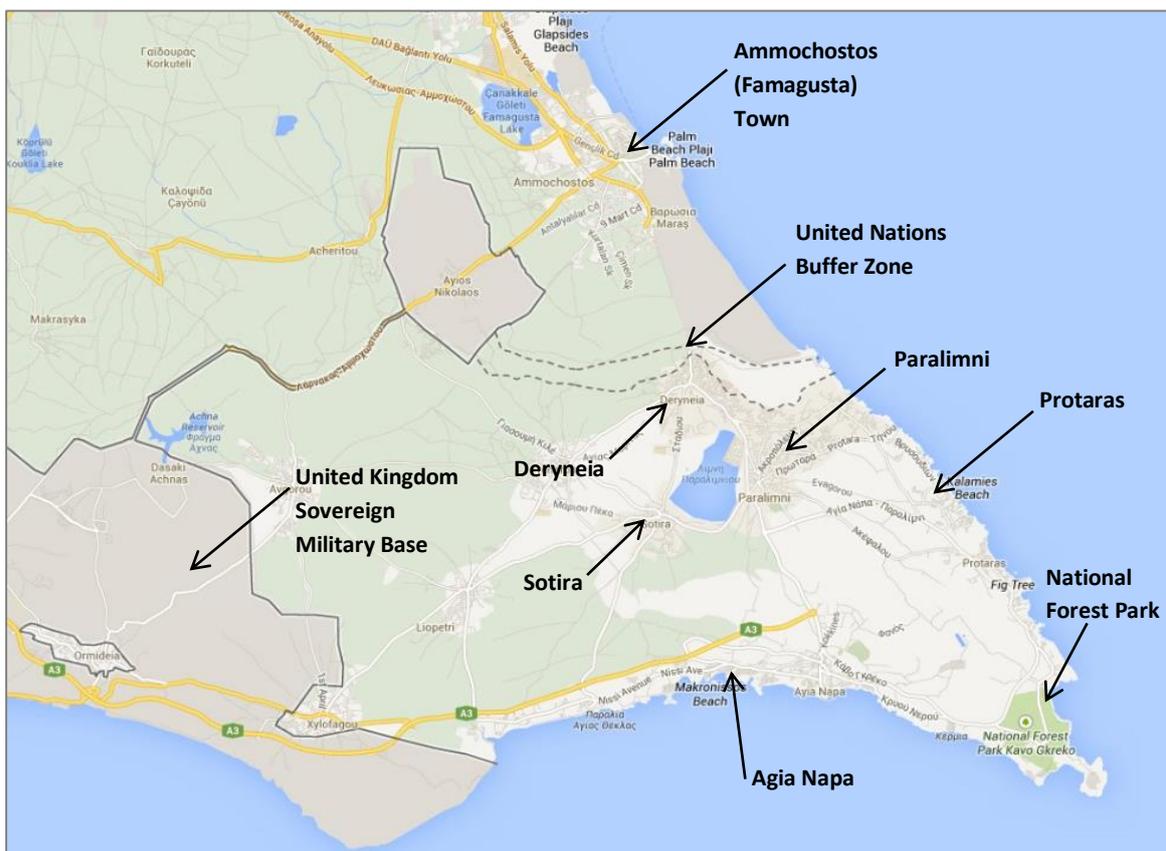
Paralimni (Greek: Παραλίμνι) is a slightly inland town situated in the southeast part of Cyprus, within the Ammochostos District. Since the 1974 invasion and division of the island, it has dramatically increased in size and status, from a small agricultural village to a medium sized town, due to the migration of refugees and the rapid development of the tourist sector. The coastal area east of Paralimni town that is within the limits of the Municipality is known by the name "Protaras". This area has experienced a tremendous economic and tourism growth in the recent decades and is considered as a prime location for second home investments.

The word Paralimni means "by the lake". The town got its name from a seasonal lake formed in the west of the community. The coastal area of Paralimni has its roots in the Hellenistic Age and from recent archaeological findings it is believed that an ancient port city existed in the area, by the name of "Lefkolla". The town of Paralimni was originally built on a hill, which was situated between the neighbouring town of Deryneia and its present location. In the 15th century, it was moved inland to avoid detection by sea pirates. It is said that the first people to settle at the current location of Paralimni arrived just after the capture of the nearby town of Famagusta by the Ottoman Turks in 1571.

Paralimni (including Protaras) and the adjacent town of Ayia Napa (a much smaller town but with slightly more share on arrivals and capacity) are attracting approximately 32% of the island's tourist arrivals. They are also considered as an important European tourism destination. After the 1974 occupation of Ammochostos (the capital town of the homonymous district) Paralimni has been playing the role of the centre of the island's southeast periphery and is the biggest municipality of Ammochostos district's government controlled area. The area is also served by a four lane motorway connecting to the bigger urban centres (Nicosia-capital of the island, Limassol-port, Larnaca-airport, Paphos-secondary airport).

**Figure 3.16 Positioning of Paralimni in relation to the neighbouring area**

Source: Own elaboration, based on Google Maps imagery.



### 3.2.1 Profile of Paralimni

#### *Territorial Context*

Paralimni is currently functioning as the administrative, educational, health and shopping centre of the greater area. The district's public administration facilities that were based in the town of Ammochostos, after the occupation, have been partially moved to Paralimni (many of them have been moved to the town of Larnaca). The shopping-market area Paralimni has rapidly grown in size over the last years and has attracted the island's biggest food retailers that have opened branches there.

A strong network with the rest of the smaller towns of the area has evolved over the recent years. Paralimni is acting as a job centre, but Agia Napa is functioning as a secondary job centre in the area attracting economically active population even from Paralimni itself. The rest of the towns other than the labour force are also providing products (mainly agricultural) that are utilised in the tourist industry of Paralimni and Agia Napa. The adjacent town of Deryneia, which is also a municipality, has been spatially merged with Paralimni due to the sprawl of the last one. Despite that, these two towns are functioning under two different and independent local administrations. Another neighbouring town (Sotira Municipality) could have also been merged with Paralimni due to the proximity and the sprawl, but up to now has not because of the lake being in-between the two towns.

The plain surrounding Paralimni and the neighbouring towns is called by the name "Kokkinochoria" (because of its rich red soil). It is famous for growing Cyprus potatoes, as well for its picturesque windmills, which are used to draw water from underground aquifers to irrigate the surrounding land. Through the years and up to 1978 (before the rapid tourism development) the prime agricultural land surrounding Paralimni was the source of its income.

But the sudden transformation of Paralimni to a regional centre and a major tourist destination, completely distorted the traditional structure of the settlement and the natural landscape, thus creating a number of spatial problems. Uncontrolled construction development and economic exploitation of the area, particularly along the coastal front, and other environmentally sensitive areas, without taking sufficient account of the natural environment, has already caused significant and irreversible damage.

However, the area is continuing to maintain an attractive natural environment and large areas of good agricultural, forest or state land that comprise an important destination. Recently, two significant environmental areas, the lake and a coastal national forest park have been declared as protected areas (Natura 2000 network). Also many of the beaches of the area are of high quality and are awarded with a blue flag.

Also at this area it is clearly observed, more than anywhere else in Cyprus, that there is a strong competition between agriculture and tourism, which in this case results in the clashing of these two activities, the first being on the mainland and the second in the coastal region. The main conflicts noticed are on one hand the penetration of tourist and relevant facilities in the hinterland, while on the other, a significant proportion of intensive agriculture (e.g. greenhouses) is located within the tourist areas, particularly in northern part of the region.

Except the spatial problems caused to the build and natural environment mentioned above, Paralimni has witnessed intense social and economic troubling effects. The one-dimensional development of the economy, based solely on tourism, has created a number of more complex issues that have also been observed by the interviewed stakeholders. The rapid development has transformed the population of the area from farmers with a deep knowledge in the land and the environment, to enterprise owners with relatively very little experience in the field of tourism, in a very short time. This has resulted to the alteration

and almost the disappearance of the local identity of the population and also to the gradual abandonment of a sustainable economy based in agriculture, for a more speculative economy based in tourism.

#### Demography

Paralimni has also grown remarkably in population over the last 30 years, with 154% increase over this period (5884 inh. Census 1982 to 14.963 inh. Census 2011) for reasons explained in previous pages (mainly due to coastalization and due to the effects of the division of the island in 1974). It is a municipality of medium size but much smaller than the large cities of the island (Nicosia, Limassol, Larnaca and Paphos). A first assumption would explain that a much slower growth or even negative growth will take place in Paralimni the next decades, mainly because of the financial crisis. But with a second view of the same situation, it can be also easily assumed that growth will keep going on as more people will choose Paralimni over the bigger urban centres (this is an effect that has been observed in the recent financial crisis of Greece).

**Table 3.4 Population growth 2001-2011**

	2001	Weight in MR 2001	2011	Weight in MR 2011	Growth 2001-2011	Difference of Weight over total MR
<b>Total Cyprus</b>	<b>689.565</b>		<b>840.407</b>		<b>22%</b>	
Paralimni (mrc)	11.091	44%	14.963	48%	35%	9%
Deryneia	4.954	20%	5.844	19%	18%	-5%
Agia Napa (mrc)	2.693	14%	3.212	14%	19%	0%
MR Agia Napa	19.705	100%	23.697	100%	20%	0%
<b>MR Paralimni</b>	<b>24.998</b>	<b>100%</b>	<b>31.265</b>	<b>100%</b>	<b>25%</b>	<b>0%</b>
MR Ammochostos <sup>23</sup>	44703	100%	54.962	100%	23%	0%

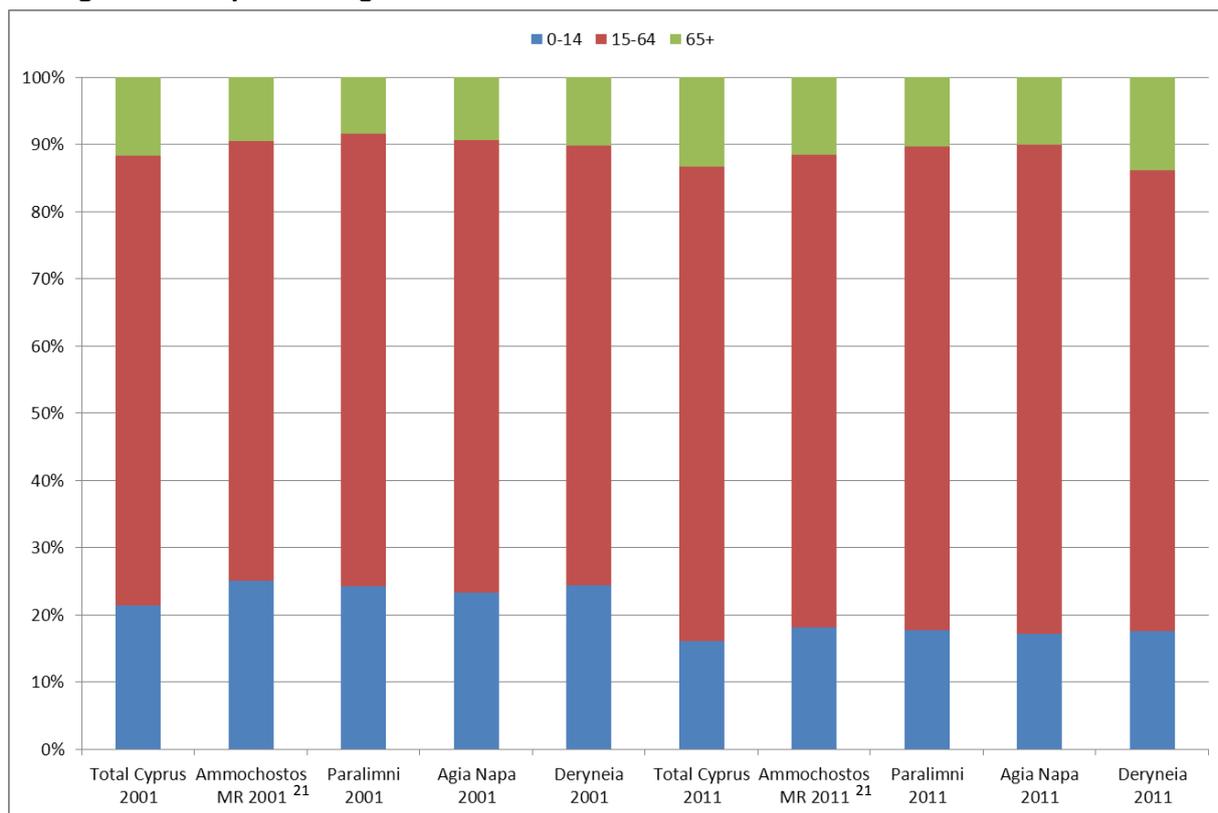
The dependency ratio of Paralimni appears equal to the one of the country's as a whole and slightly lower of that of Ammochostos region, but it has suffered a significant decrease (-20%). This is observed island wide and it is caused because of the percentage of the young population decreasing in respect to the active population percentage that is increasing (see figure 3.17). What is noticeable is that despite that the island, the region and Paralimni are obviously aging, the town's older population is holding at a lower rate. This has been explained by the interviewed stakeholders. A significant proportion of the young couples are deciding to reside in the region (lower cost of life, job opportunities, good access to the bigger urban centres)

**Table 3.5 Aging (Old-Age Dependency) rate and Dependency (Total) rate growth 2001-2011**

	Aging Rate 2001	Dependency Rate 2001	Aging Rate 2011	Dependency Rate 2011	Aging Rate Relative Growth	Dependency Rate Relative Growth
<b>Total Cyprus</b>	<b>54%</b>	<b>49%</b>	<b>83%</b>	<b>42%</b>	<b>53%</b>	<b>-16%</b>
Paralimni (mrc)	35%	49%	59%	39%	69%	-20%
Deryneia	42%	53%	78%	46%	87%	-13%
Agia Napa (mrc)	40%	49%	58%	37%	44%	-23%
<b>MR</b>	<b>38%</b>	<b>53%</b>	<b>64%</b>	<b>42%</b>	<b>69%</b>	<b>-20%</b>

<sup>23</sup> MR Ammochostos has not been identified as a microregion during the functional analysis but it is presented here as a microregion for statistical reasons. It is the combined area of Paralimni and Agia Napa MRs.

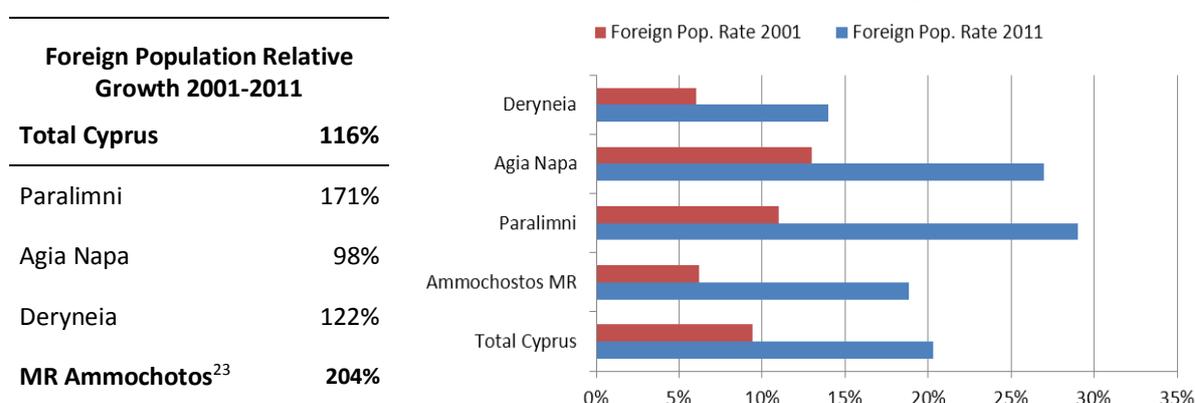
**Figure 3.17 Population Age distributions 2001 and 2011**



**Source:** Own elaboration, based on Census 2001-2011 data.

As all over Cyprus, also in the region of Ammochostos, a significant increase of the rate associated to the foreign population is observed. Paralimni holds lower than the region's rate, presenting 171% increase over the last decade. In Paralimni most of the foreigners are either people that have moved permanently to more sunny place, or workers employed mainly in the tourism sector and secondly in the agricultural sector. A significant number of foreigner workers are also employed in the construction sector. What is very impressive is that almost 1/3 of Paralimni's resident inhabitants are foreigners (80% of them are EU citizens). Similar rates and higher are only observed in the island's main city centres and in the coastal touristic areas that provide second homes (villas, bungalows, apartments, etc) to foreign citizens.

**Figure 3.18 Weight of foreign population over total population & relative growth, 2001-2011**

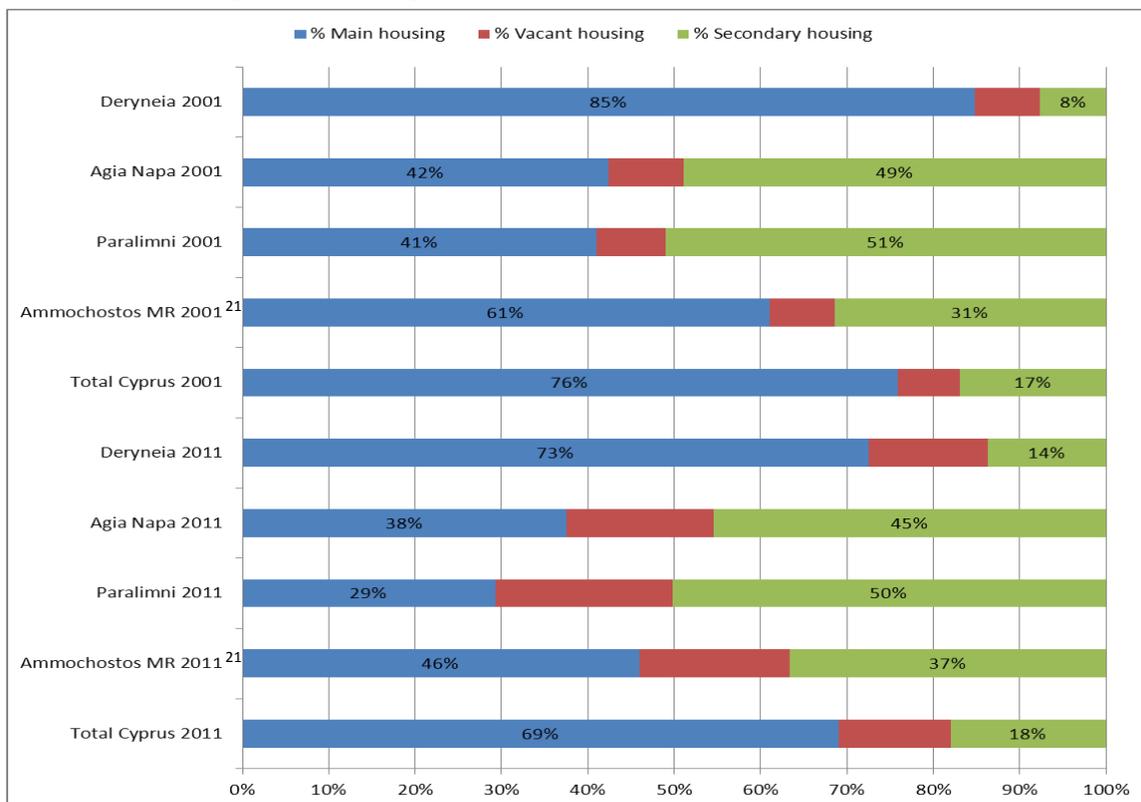


**Source:** Own elaboration, based on Census 2001-2011 data.

## Housing

As expected most of Paralimni's living quarters belong in the category of secondary housing. The rapid growth of this town is also proven by the fact that the total housing stock has doubled over the last decade (from 8.649 in 2001 to 18.048 in 2011). This raise is surely an impact of the housing bubble. Only an amount of 0,41 new inhabitants corresponds to every new house built in this decade (in contrast to the inland Nicosia MR ratio that is up to 2,23 new inh. per new house). Paralimni's significant attractiveness as a second home area can be also observed by the fact that barely no weight change occurred for the secondary housing over the same decade. This can be explained by the reason that Paralimni is a prime second home area for Cypriots also and the locals have replaced the foreign buyers that have reduced dramatically over the last years. What is more impressive and shows a very negative trend is that there has been a 432% increase of the vacant homes caused by the excessive construction topped by the financial crisis. This gets even more alarming when compared with the -29% decrease in weight change for the main housing.

**Figure 3.19 Housing Structure (weights)**



Source: Own elaboration, based on Census 2001-2011 data.

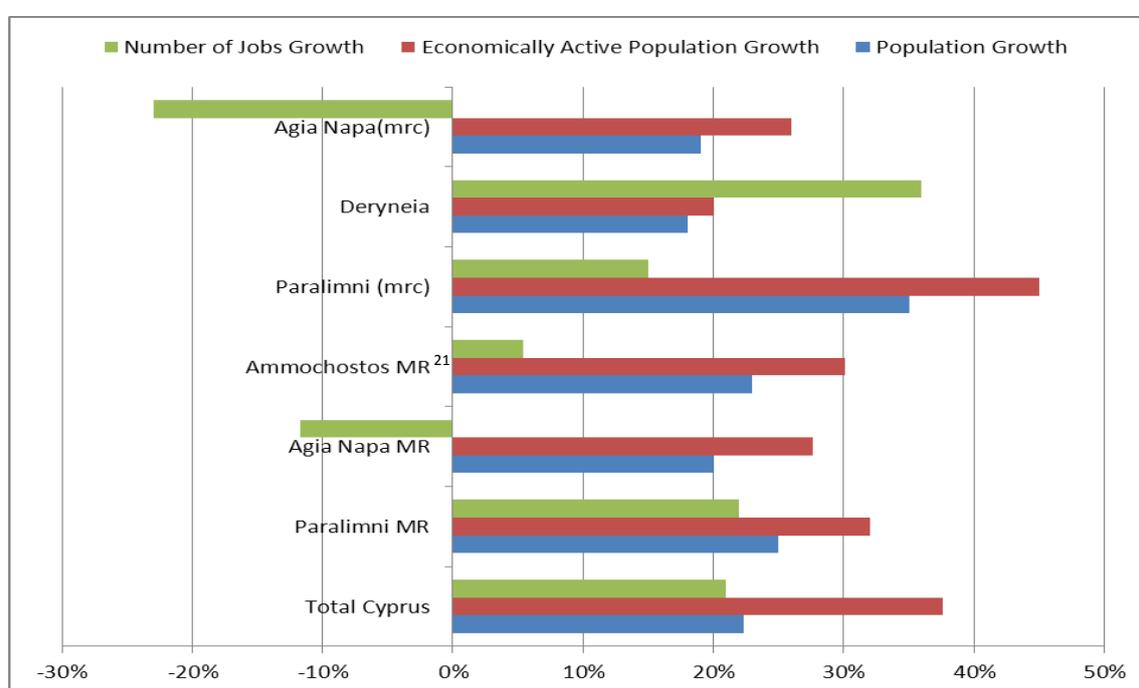
**Table 3.6 Typology of Housing Evolution 2001-2011**

	Weights' Change 2001-2011			Rate of Growth 2001-2011			
	Main housing	Vacant housing	Secondary housing	Total housing	Main housing	Vacant housing	Secondary housing
<b>Total Cyprus</b>	-9%	82%	6%	48%	35%	164%	44%
Paralimni	-29%	156%	-2%	109%	49%	432%	94%
Deryneia	-15%	83%	79%	51%	29%	175%	161%
Agia Napa	-11%	95%	-7%	51%	33%	192%	-48%
<b>MR Ammoch.<sup>23</sup></b>	<b>-25%</b>	<b>130%</b>	<b>16%</b>	<b>81%</b>	<b>36%</b>	<b>310%</b>	<b>86%</b>

### Socio-Economic

Paralimni has almost doubled its resident economically active population between 2001 and 2011. Growth also occurred, at a lower rate, for the total population and the number of jobs. What is noticed is that there is a repeated pattern of the growth of the active population being much higher than the one of the total population. Paralimni is showing a distinct difference from the other presented areas, it has the higher increase in terms of economically active population and total population, but a relatively lower increase in the number of jobs. These data confirm the growth that has been witnessed and explained by the experts interviewed, who highlighted that Paralimni is attracting young and active people to reside in the area. What is alarming is that in the last few years the area in general is witnessing a rapid decrease in jobs (this is witnessed firstly in Agia Napa which is exclusively dedicated to tourism).

**Figure 3.20 Resident Population, Resident Active Population, No of Jobs 2001-2011 (growth rate)**

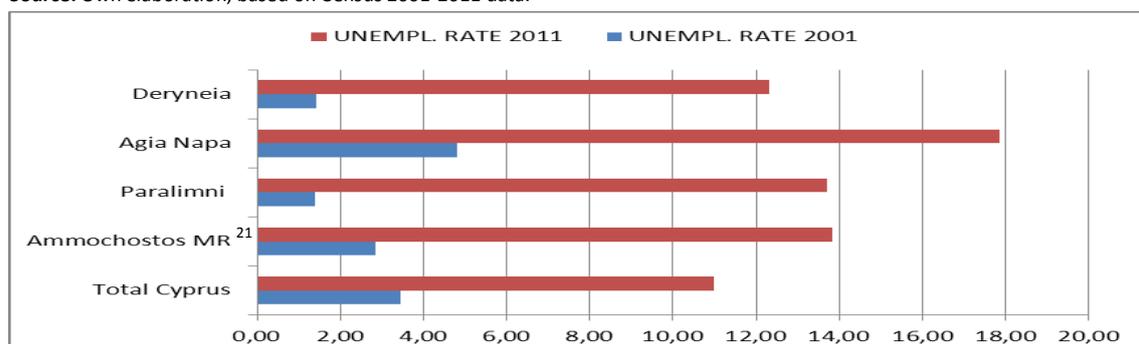


Source: Own elaboration, based on Census 2001-2011 data.

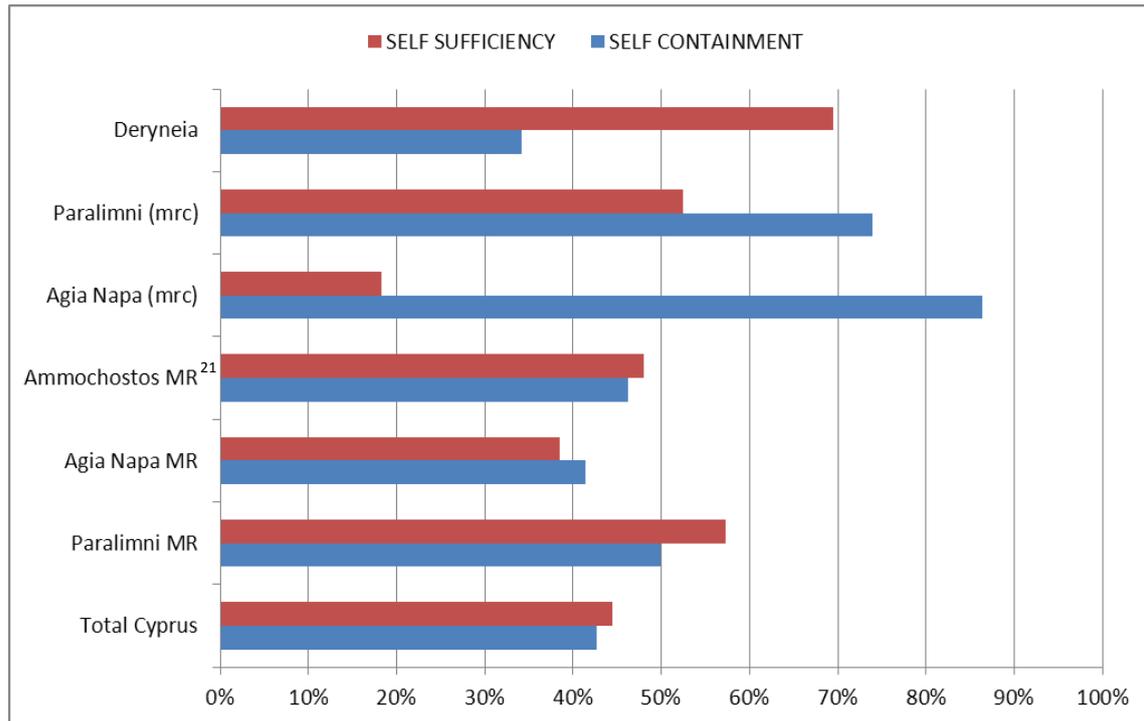
The 2001-2011 employment data, however, does not fully reflect the impact of the economic crisis in the labour force, something evident if one looks to the evolution of unemployment in the area, which in average is in 2011 five times higher than the 2001 data. The highest increase in the unemployed is observed in Paralimni, coming from a situation of a very low unemployment rate. This rate must have risen even more in the past two years, as the national unemployment on June 2013 was registered at 17.3% and still rising rapidly.

**Figure 3.21 Unemployment rates 2001-2011**

Source: Own elaboration, based on Census 2001-2011 data.



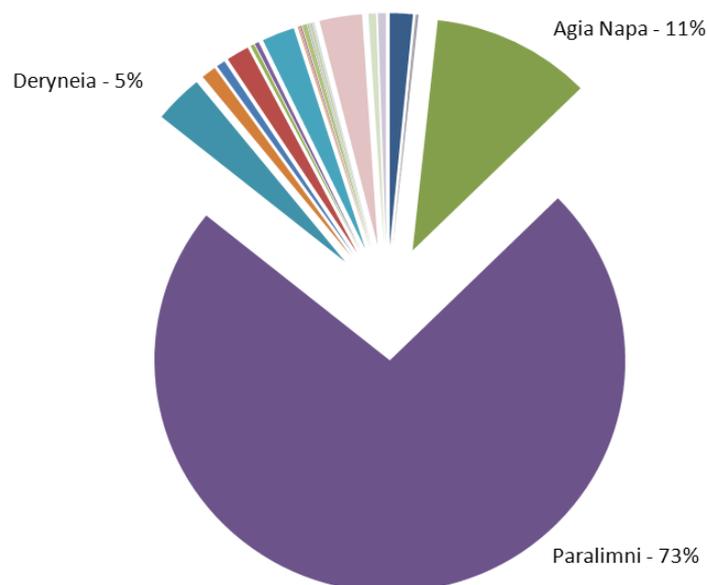
**Figure 3.22 Self-sufficiency and self-containment indexes of the local labor market<sup>22</sup>, 2001**



**Source:** Own elaboration, based on Census 2001 data.

Paralimni has a self sufficiency of 52% indicating that slightly more than half of the jobs available in the town are occupied by local residents. Its index is ranging lower than the one of the microregion but higher than that one of Ammochostos region. What is noticeable is that most of the areas are showing a higher index than the national average. In terms of self-containment, as expected, Paralimni and the neighboring town of Agia Napa are presenting very high percentages, indicating a low labour-related commuting for the residents. Also from Paralimni’s labour-related commuting pattern below, a strong network connection with Agia Napa is observed. The rest of the towns in the area are either networked with Paralimni, or with Agia Napa and in most cases with both of them.

**Figure 3.23 Labor-related commuting destinations from Paralimni, 2011**



**Source:** Own elaboration, based on Census 2011 data.

### *Economic structure and evolution*

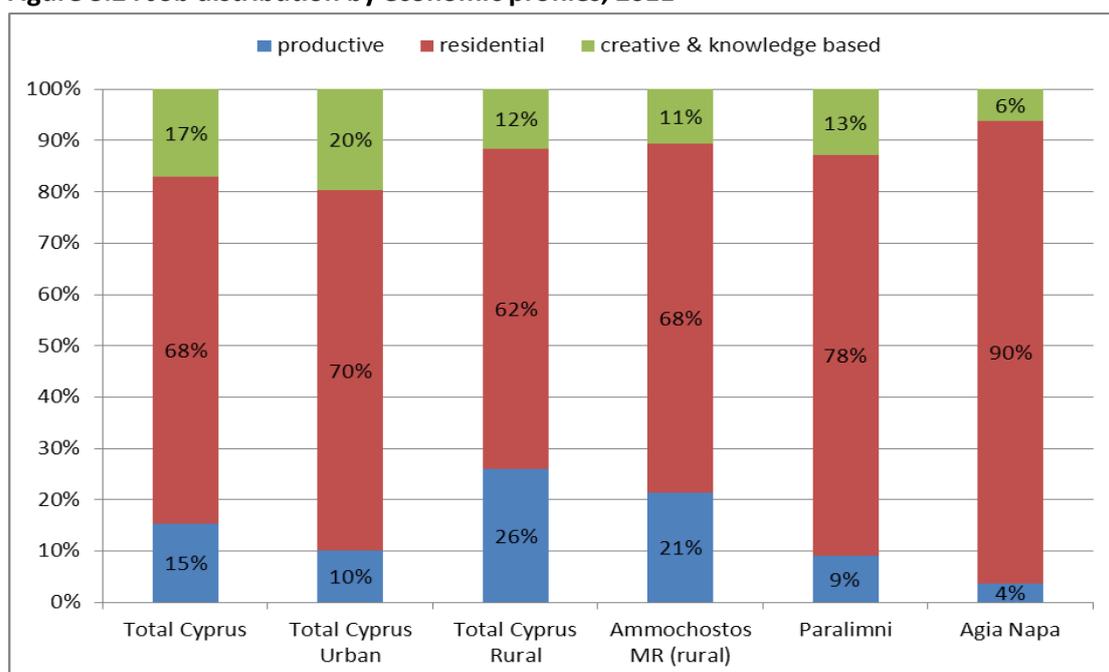
The main reason explaining the transformation of Paralimni's economy in the past few decades, as mentioned in previous pages, is its location near beautiful sandy beaches, combined with the effects caused by the occupation and division of the island in 1974. After that, the best tourist resort of Cyprus called "Varosia" became inaccessible. Paralimni with Agia Napa essentially took its place. It must be noted that tourism development first happened in Agia Napa, where many refugee tourism related entrepreneurs restarted their careers in the same sector. Paralimni followed soon after, but also had the advantage of already being the functional centre of the neighbouring settlements.

The above advantages have benefited Paralimni. It may have grown rapidly based on a one-dimension economy, but its functional position gives it a perspective to evolve further into the future. On the other hand this cannot be said about the neighbouring Ayia Napa that seems to be doomed by its own success. This settlement had a spectacular growth in the last decades but it is still depends exclusively on tourism and has invested any available resources only on this sector. Tremendous wealth has been attracted in both areas for the last decades but both of them seem to have lost the chance to invest it for a more sustainable economic future.

Even now, after 5 years in financial crisis, no significant policies are taking place to reposition the economic model of the area and to refocus tourism business in a new perspective. The positive side of the whole matter is that still significant income is generated by tourism in the area. This leaves an open window to implement policies that will benefit the following generations also. In the last years several policies have been taking place that target the strengthening and enrichment of the touristic product on a national basis. But they do not constitute dynamic measures that will reposition the area.

Paralimni is the only one of the selected case study towns that has a global perspective because of the tourism. It is historically evident whenever a crisis is taking place the chances for dramatic change are increased. Paralimni has the capacity to do changes and shouldn't miss this chance to take new measures based on a long-term strategy of sustainable growth.

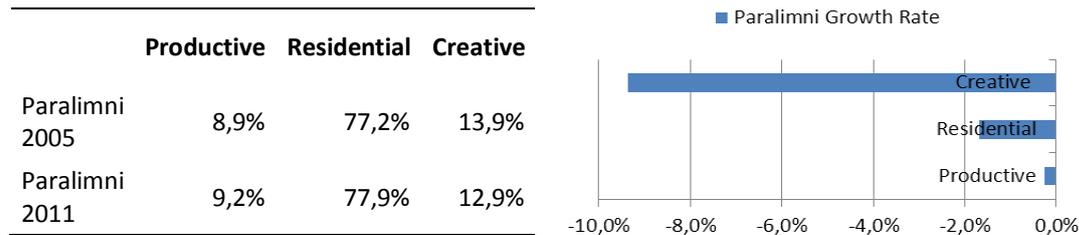
**Figure 3.24 Job distribution by economic profiles, 2011**



Source: Own elaboration, based on Census 2011 data.

In terms of jobs provided Paralimni ranks 7<sup>th</sup> among the rest of the municipalities and communities of the island (according to 2011 census). It also acts as a primary employment centre for its neighbouring area and it is the bigger one after the four main urban centres of Cyprus. The main economic profile based in the number of workers by sector is evidently the residential one with 78% of the labour force. The productive profile sums up to 9% and it is even lower than the one of that one of the urban areas of the island. This illustrates what has been mentioned earlier about the intensity of the tourism sector in Paralimni. Creative and knowledge based functions in Paralimni are in similar rate as the rest of the rural area of the island, but have been losing ground over the productive in the last years (figure 3.25).

**Figure 3.25 Economic Profile Weights 2005-2011 and Growth Rate**



**Source:** Own elaboration, based on Census 2005-2011 data.

Therefore, Paralimni has a tourism related economy mainly based on the accommodation and food service sector (NACE C, 2011) with a 25% over the total jobs, on the wholesale, retail and repair sector (NACE G, 2011) that holds 17 % of the jobs and on the construction sector (NACE F, 2011) that concentrates 10% of the jobs. Bizarrely this last sector has shown a significant increase in job number from 2005 up to 2011 (26%). One would expect that just the opposite would be happening, due to the property bubble burst and the recent decline in new house construction. This maintained increase of the construction sector in this area can be explained as an outcome of recent national policies that have been subsidizing the private sector for renovation/ upgrade of its tourist-related infrastructure or the use-change of hotels to residential units.

As expected the accommodation and food service sector has suffered a 40% decrease in the last years. But Paralimni seems to have succeeded in repositioning this loss to other sectors of its economy and thus experiencing minimal losses in its total number of jobs. Except the construction sectors, other ones have experienced a significant increase over the last years. A surprising incline is observed over the health and social work sector that has increased 81% over the last years. Similarly the education and the public administration sectors have increased significantly, 43% the first one and 37% the other.

Agia Napa on the other hand seems to have failed on the same field. It has suffered similar loses on the accommodation and food service sector from 2005 to 2011, but it has reached the loss of approximately 1/3 of its total number of jobs over the same period. This is evidently explaining what has been mentioned earlier, that Paralimni as a multipurpose functional centre (administrative, education, health, shopping, jobs) is able to manoeuvre and evolve under the stress of change. As for Agia Napa, it must be mentioned that it is also a functional centre. But with only one dimension, that of a tourist job centre. The above analysis can lead us to a conclusion that multi-functionality is a key factor for a small-medium sized town.

A factor that is considered as a drawback by the interviewed stakeholders is that Paralimni lacks of sufficient hinterland. Due to the occupation in 1974 and the subsequent division, most of Ammochostos District is inaccessible. So, Paralimni is left with a small hinterland at the southeast edge of the island (see figure 3.16) and cannot benefit from the complementarity and the multiplicity of visiting alternatives that a bigger hinterland would provide.

### 3.3 Athienou

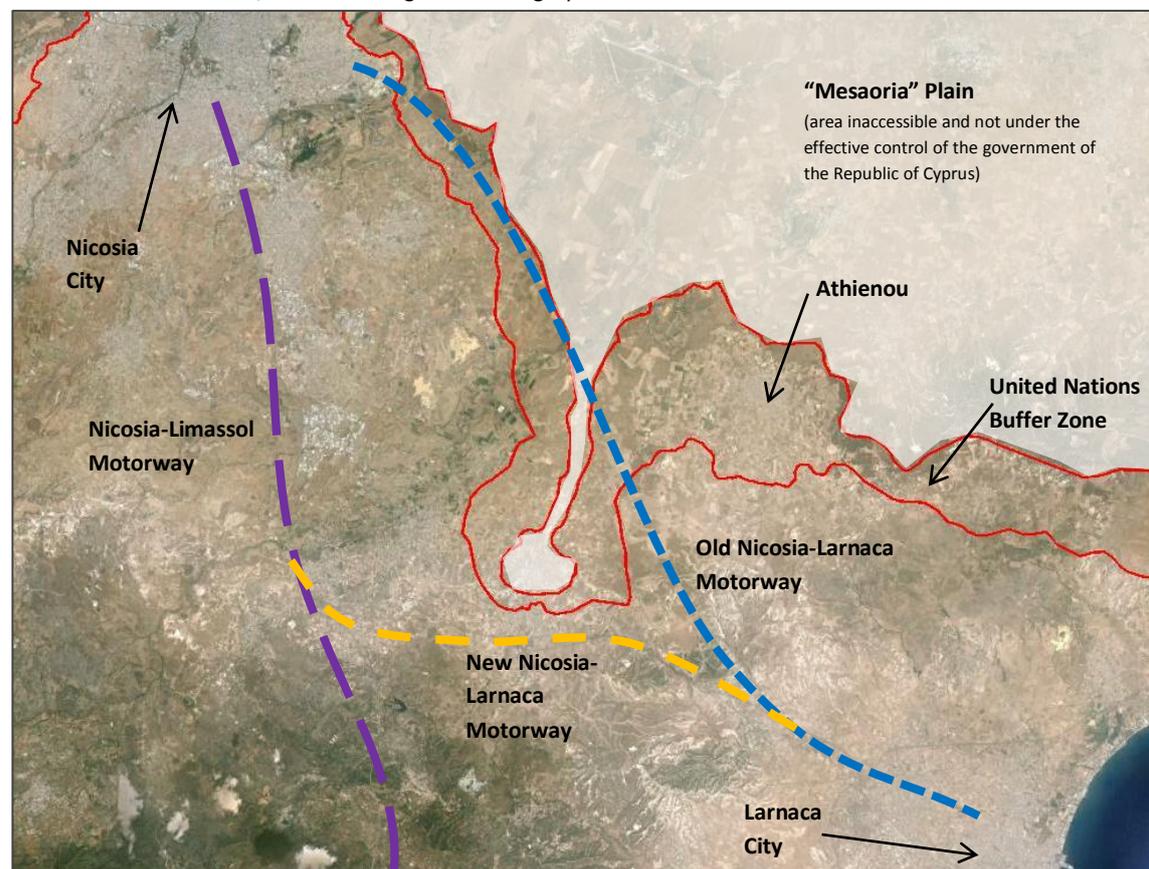
Athienou is a rural municipality situated in the central part of Cyprus (Larnaca District). The largest part of the territory of Athienou (65%) is under Turkish occupation since 1974. The town has a long history dating back to the 3rd century B.C., but the municipality itself was founded in 1926. The town has a population of 5.017 (according to Census 2011) and its economy is mainly based on agriculture and agroindustry. Athienou despite its small size has been participating in a number of European programmes, mainly in the areas of culture, traditional architecture, social and urban affairs.

Excavations in the area of Athienou have unearthed antiquities from the Neolithic Period (8500-3900 BC). Since ancient times the place was continuously settled and developed, making today the municipality known for its archaeological and cultural heritage (two important archaeological sites and a local museum exist). The traditional occupations of bread-making and cheese-making are going way back in time. The famous products “athienitiko” bread and “halloumi” cheese are being exported from Athienou up to today, nationally and abroad.

The inhabitants of the town are also very well known for their diligence, their innovative and entrepreneurial spirit that is mainly focused on the agricultural sector. Athienou is considered to have had been a functional centre from the Hellenistic times (Gogli ancient city) up to a few decades ago (was among the island’s biggest municipalities and was acting as an agricultural functional centre for the surrounding settlements in Mesaoria Plain). It has lost this centrality after 1974’s division of the island. The town is today residing inside the UN buffer zone and has lost the accessibility to the rest of Mesaoria because most of the area is under occupation (Mesaoria is the biggest plain in Cyprus and its main agro-products are wheat and barley). Also the town has lost a very good connection with the capital city of the island (Nicosia) and is today in a much more isolated position.

**Figure 3.26 Positioning of Athienou in relation to the neighbouring area**

Source: Own elaboration, based on Google Earth imagery.



### 3.3.1 Profile of Athienou

#### *Territorial Context*

Though Athienou belongs in the district of Larnaca, until the 1974 invasion it had stronger economic, social and commercial relations with Nicosia city. The connection to Larnaca got better only after the loss of accessibility to the capital caused by the occupation of part of the old Nicosia- Larnaca motorway. Athienou literally has become like a border town in a deserted area, caused by the inaccessibility to a large number of occupied neighbouring settlements and because of the surrounding by other settlements abandoned or with development issues caused by the division. But the town has been leveraging its advantages, has continued to develop and has succeeded into maintaining its status as an agricultural centre.

The town may have lost its functional centrality and 65% of its land, it may also have become isolated but it has surprisingly been growing continuously. It holds today 35% of the island's livestock farming, the biggest cattle-raising unit in the Middle East area and 10% of the cereal growing. This can be attributed to two main reasons that were highlighted by the interviewed stakeholders. The first reason is the competitive temperament of its population and the second one is the strong local social cohesion that exists in the community.

Another reason is the "stubbornness" of the population to stay in their birth place, in combination with the utilisation of the existing dynamic they were already withholding before 1974 in farming knowledge, machinery and workforce. This can be illustrated by the fact that although the population had lost access to 65% of their land, they decided to stay in the town and rent land all over Cyprus to grow wheat and barley. Also many of those that decided to reside in the bigger urban centers are established entrepreneurs and have succeeded in their sectors. A superficial diagnosis could estimate that this growth is attributed to the relatively small distance to the bigger urban centers. But this explanation is far from the truth, as many other settlements in Cyprus with similar advantages and much less issues caused by the 1974's occupation, have not presented the same growth.

Except the rich cultural wealth originating from its history and the physical remains of older and newer civilisations, Athienou is presenting a strong intangible heritage not only because of its traditional productive procedures that remain until today, but also coming from the multiplicity of its efforts in the cultural and social sector. It has more than 10 different cultural, social and athletic associations, it has formed a social welfare committee that runs relevant programmes and it has recently built public home for the elderly. Except primary and secondary schools it maintains also a public library. Moreover this town is the second one in Cyprus that formed a COOP company for its farmers in 1916.

Last but not least Athienou is holding to its traditions through a systematic approach of day to day life and its main events through its religious community. The town has many churches (some of them are declared monuments) and the cleric is playing an integral part in the cohesion and welfare of the society. It must be also noted that the local museum has taken its name from a native of Athienou renowned icon painter (Father Kallinikos) and except archaeological and ethnographic items it also hosts parts from Kalliniko's personal collection.

Perhaps the biggest problem Athienou is facing is coming out of its own success. The conflict in land use resulting from residential development coupled with intensive livestock farming in recent years is causing severe environmental pressures and degradation of the quality of life in the town.

## Demography

Athienou hasn't experienced the population growth of the previous two case studies. Over the last 30 years, it has presented only 41% increase (3.570 inh. Census 1982 to 5.017 inh. Census 2011), which is below the national average (65%) for the same period. But even this relatively low increase seems impressive when examined under the disastrous effects that Athienou had to suffer after 1974. When the last decade's growth rate is examined it is observed that it is closing the gap with that one of the national average. What is noticeable also is that Athienou's growth rate is almost the double of that of the Larnaca's city centre over the same period. The town is expected to grow with a slightly higher rate due to the fact that more people will be choosing Athienou over the bigger urban centres (this is an effect that has been observed in the recent financial crisis of Greece).

**Table 3.7 Population growth 2001-2011**

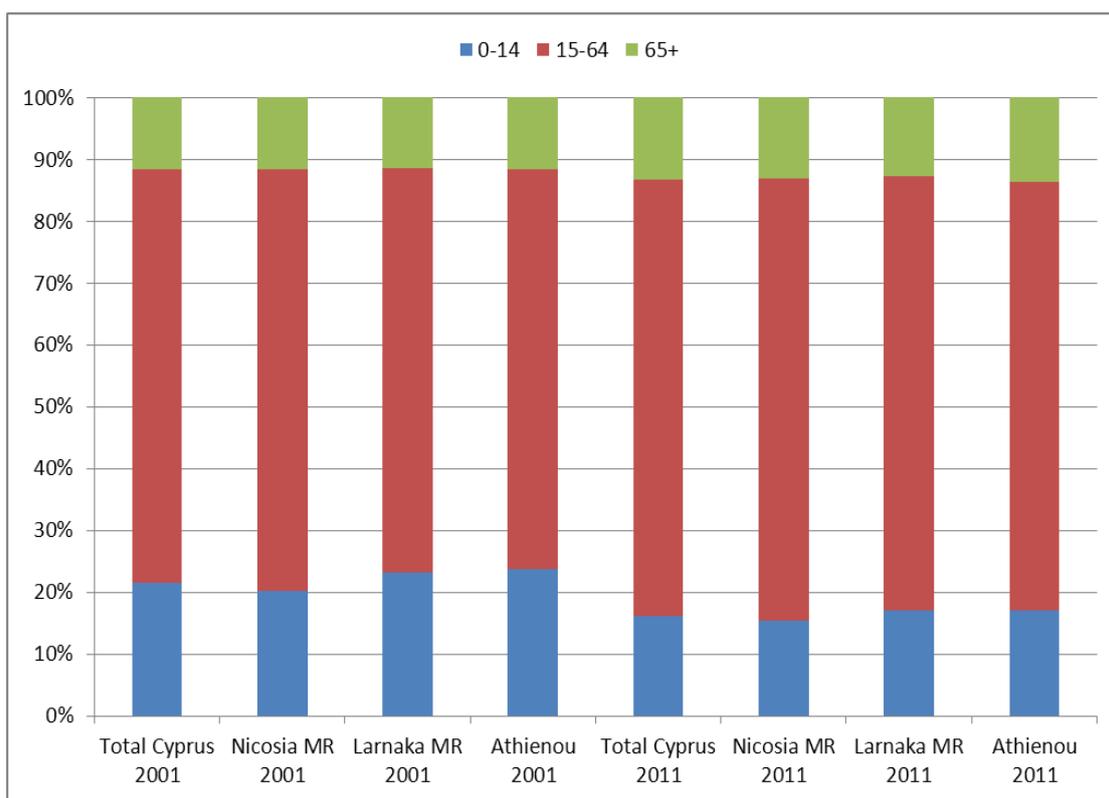
	2001	Weight in MR 2001	2011	Weight in MR 2011	Growth 2001-2011	Difference of Weight over total MR
<b>Total Cyprus</b>	<b>689.565</b>		<b>840.407</b>		<b>22%</b>	
Athienou	4.261	4%	5.017	4%	18%	0%
Larnaca MRC (city)	62.997	62%	77.902	62%	24%	0%
Larnaca MRC (central municipality)	46.666	46%	51.468	41%	10%	-11%
<b>Larnaca MR</b>	<b>101.069</b>	<b>100%</b>	<b>125.835</b>	<b>100%</b>	<b>25%</b>	<b>0%</b>

The dependency ratio of Athienou appears slightly higher to the one of the country's as a whole and to those of Nicosia and Larnaca microregions. but it has suffered a significant decrease (-19%). This is observed island wide and it is caused because of the percentage of the young population decreasing in respect to the active population percentage that is increasing (see figure 3.27). What is noticeable is that Athienou is aging faster than all of the other areas illustrated in table 3.8. This town most evidently cannot attract as many young couples to stay as the previous case study towns. This can be attributed mainly to its more isolated position, to the fact that it provides fewer opportunities for shopping, leisure and job-placement to young couples and most importantly because of the feel of insecurity that comes from the surrounding by occupant military forces.

**Table 3.8 Aging (Old-Age Dependency) rate and Dependency (Total) rate growth 2001-2011**

	Aging Rate 2001	Dependency Rate 2001	Aging Rate 2011	Dependency Rate 2011	Aging Rate Relative Growth	Dependency Rate Relative Growth
<b>Total Cyprus</b>	<b>54%</b>	<b>49%</b>	<b>83%</b>	<b>42%</b>	<b>53%</b>	<b>-16%</b>
Athienou	48%	55%	81%	44%	66%	-19%
<b>Nicosia MR</b>	<b>57%</b>	<b>46%</b>	<b>85%</b>	<b>40%</b>	<b>49%</b>	<b>-14%</b>
<b>Larnaca MR</b>	<b>49%</b>	<b>53%</b>	<b>75%</b>	<b>42%</b>	<b>53%</b>	<b>-19%</b>

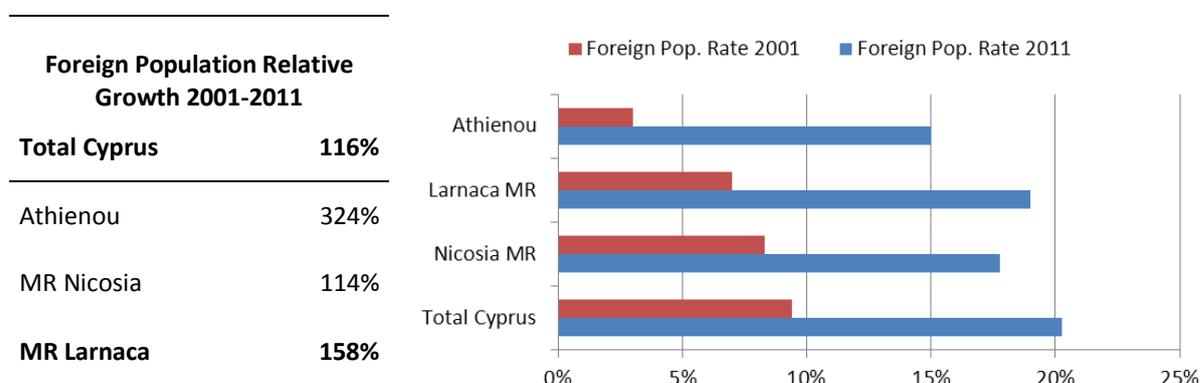
**Figure 3.27 Population Age distributions 2001 and 2011**



**Source:** Own elaboration, based on Census 2001-2011 data.

As observed in the previous case study towns, a significant increase of the rate associated to the foreign population is taking place. Athienou holds a very high rate, similar to that of Dali town, presenting 324% increase over the last decade. This can be explained as an effect caused by the combination of a) rapid growth that was experienced island wide in the recent years before the financial crisis and b) the accession of Cyprus to the EU (most of the increase is attributed to EU citizens). In Athienou most of the foreigners are workers employed mainly in the agricultural and agroindustry sector. Even with this impressive increase observed in the last decade, Athienou is still remaining lower than the other areas illustrated in figure 3.28.

**Figure 3.28 Weight of foreign population over total population & relative growth, 2001-2011**

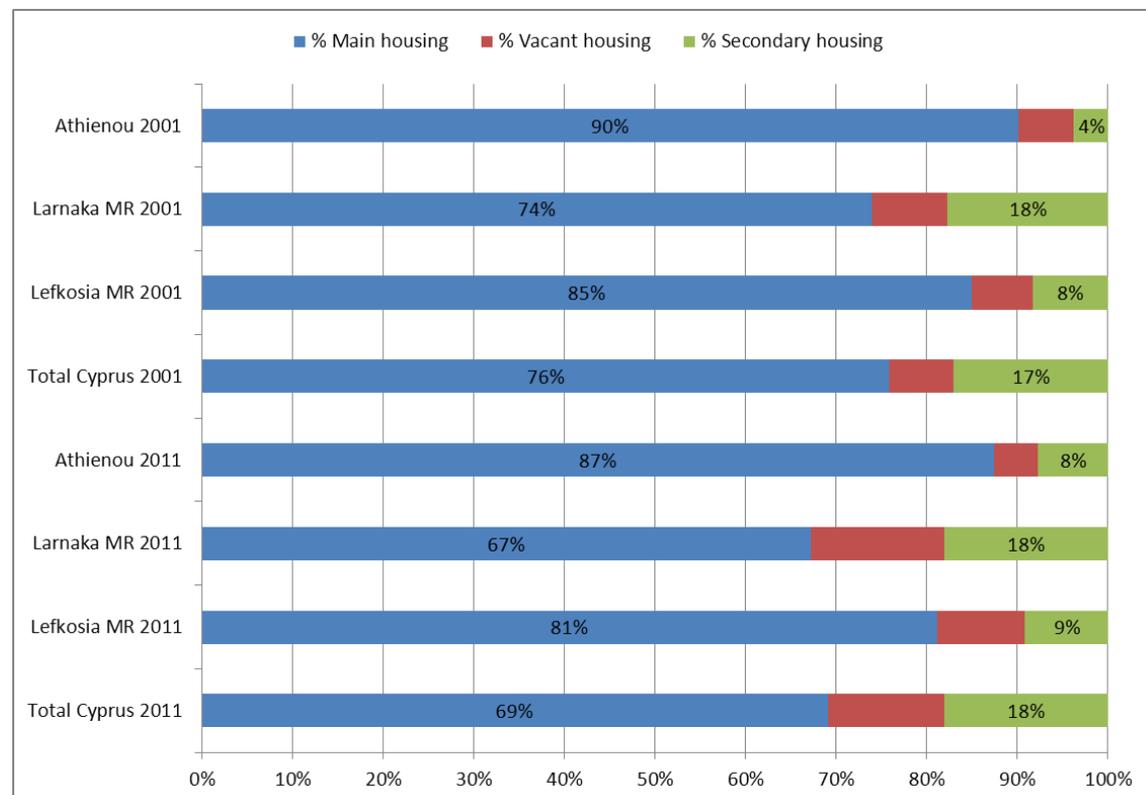


**Source:** Own elaboration, based on Census 2001-2011 data.

## Housing

As expected most of Athienou's living quarters belong in the category of main housing. The town as mentioned before hasn't experienced the growth of the two previous case study towns (only 31% increase of living quarters in the last decade, from 1.409 in 2001 to 1.847 in 2011). Even at this lower rate of growth Athienou seems to have been slightly impacted by the housing bubble, but significantly less than the rest of the microregion. Approximately, an amount of 1,7 new inhabitants corresponds to every new house built in this decade (in contrast to the Larnaca MR ratio that is up to 1,12 new inh. per new house). What is noticeable is that Athienou is showing a decrease in vacant homes the last decade, when all the other areas are experiencing a very big increase over the same period. Also the town is presenting a significant increase of secondary housing. This can be attributed to the fact that many "Athienites" that have migrated (internally or abroad) have built second homes in order to visit their hometown more often (and subsequently reside there when they retire).

**Figure 3.29 Housing Structure (weights)**



Source: Own elaboration, based on Census 2001-2011 data.

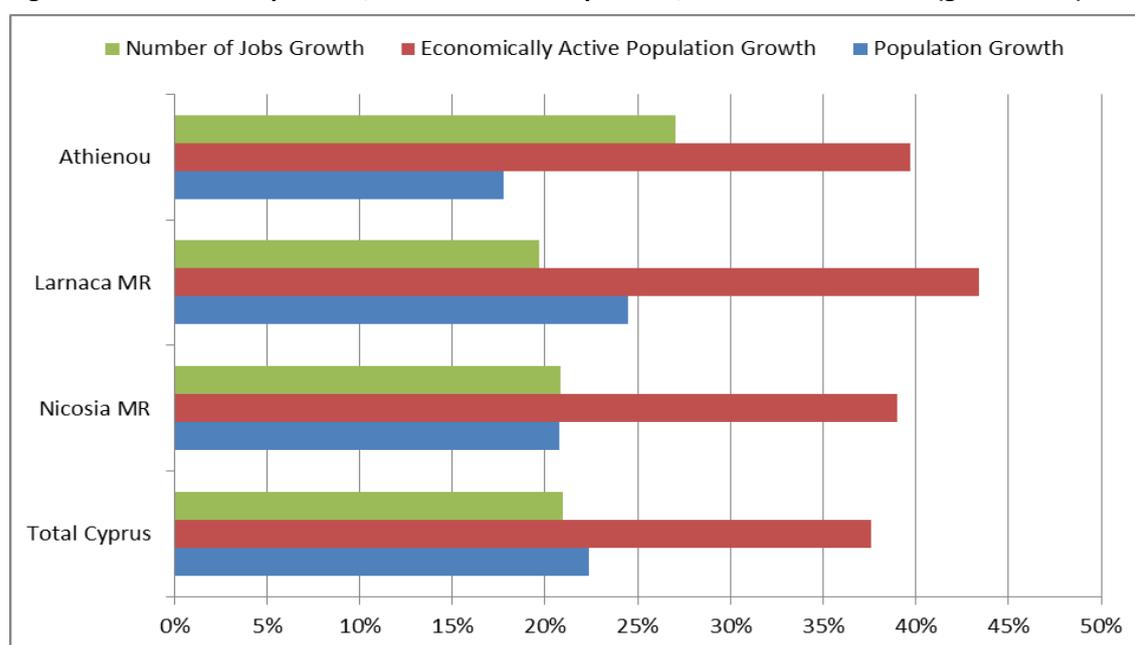
**Table 3.9 Typology of Housing Evolution 2001-2011**

	Weights' Change 2001-2011			Rate of Growth 2001-2011			
	Main housing	Vacant housing	Secondary housing	Total housing	Main housing	Vacant housing	Secondary housing
<b>Total Cyprus</b>	-9%	82%	6%	48%	35%	164%	44%
<b>Athienou</b>	-3%	-22%	106%	31%	27%	-2%	170%
<b>MR Nicosia</b>	-4%	45%	10%	38%	32%	93%	49%
<b>MR Larnaca</b>	-9%	77%	2%	51%	37%	164%	48%

### Socio-Economic

Athienou has shown approximately 40% increase of its resident economically active population between 2001 and 2011. Growth also occurred at a lower rate, for the total population and the number of jobs. As in the previous two case study towns, it is noticed that there is a repeated pattern of the growth of the active population being much higher than the one of the total population. Athienou is showing a distinct difference from the other presented areas, it has the biggest increase in number of jobs and it is the only one that has a higher increase in terms of total jobs than that of its population. These data explain that this town, even if not acting as a job center for any other settlement, it has started in the last decade to create job opportunities that exceed its locality, thus attracting more non-local persons.

**Figure 3.30 Resident Population, Resident Active Population, No of Jobs 2001-2011 (growth rate)**

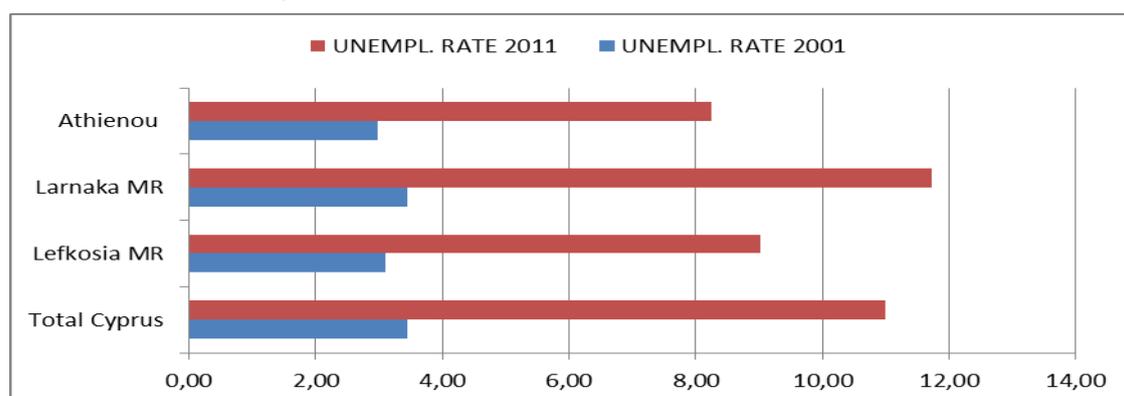


Source: Own elaboration, based on Census 2001-2011 data.

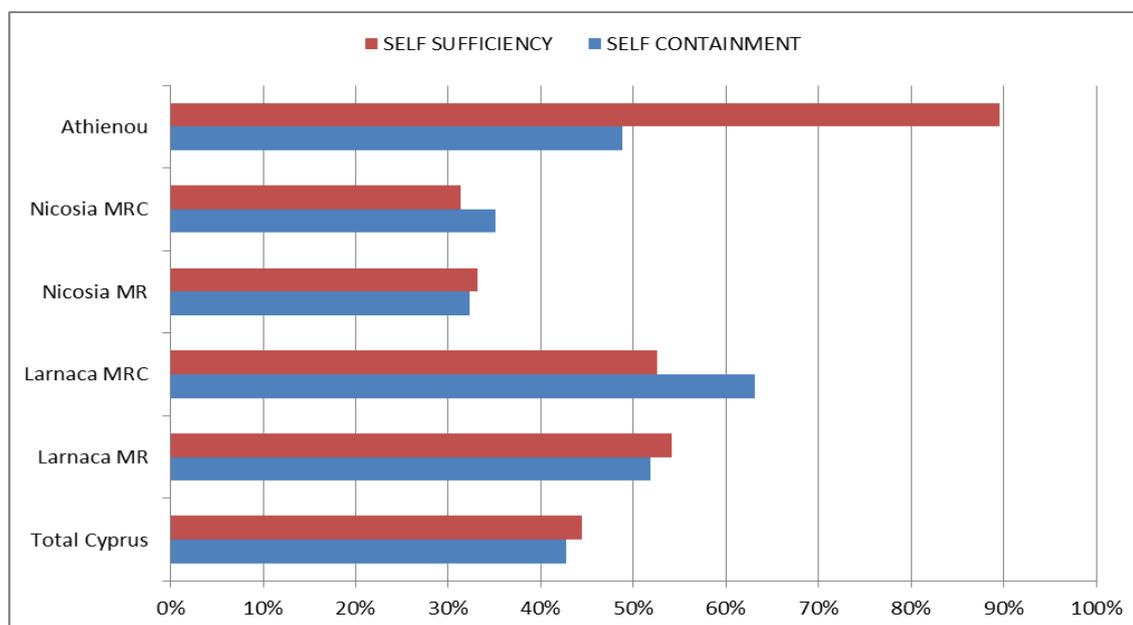
The 2001-2011 employment data, however, does not fully reflect the impact of the economic crisis in the labour force, something evident if one looks to the evolution of unemployment in the area, which in average is in 2011 three times higher than the 2001 data. The lowest increase in the unemployed is observed in Athienou, coming from a situation of a relevantly low unemployment rate. This rate must have risen even more in the past two years, as the national unemployment on June 2013 was registered at 17.3% and still rising rapidly.

**Figure 3.31 Unemployment rates 2001-2011**

Source: Own elaboration, based on Census 2001-2011 data.



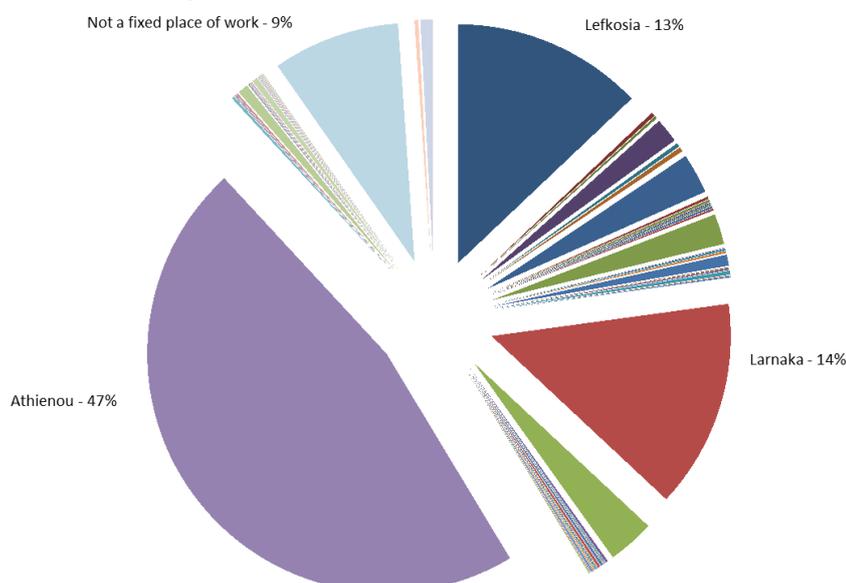
**Figure 3.32 Self-sufficiency and self-containment indexes of the local labor market<sup>22</sup>, 2001**



**Source:** Own elaboration, based on Census 2001 data.

Athienou has a self sufficiency of 90% indicating that almost all the jobs available in the town are occupied by local residents. Its index is ranging much higher than the rest of the areas illustrated in 3.33. What is also noticeable is that the areas concerning Larnaca (MR and MRC) are all showing a higher index than the national average. In terms of self-containment, as expected, Athienou is presenting a balanced percentage, slightly lower than that of Larnaca’s microregion and much higher than that of Nicosia MR. Also from Athienou’s labour-related commuting pattern below, a network connection equally strong with Nicosia and Larnaca cities is observed. Also a significant percentage refers to workers that don’t have a fixed palce of work. This is contributed mainly to what was explained earlier, that many of the farmers are renting land all over Cyprus to grow wheat/ barley and are constantly on the move.

**Figure 3.33 Labor-related commuting destinations from Athienou, 2011**



**Source:** Own elaboration, based on Census 2011 data.

### *Economic structure and evolution*

The regeneration of Athienou's economy in the past few decades, as explained in previous pages, is based mainly on the competitive and innovative temperament of the natives, on the advantage of withholding a significant agricultural dynamic in knowledge, machinery and workforce and on the strong social cohesion of the community. These elements allowed the town to rebirth basically out from its ashes like a phoenix in the years that followed 1974's occupation and division. The town may have lost its functional centrality and access to 65% of its land, it may also have been forced in isolation but it holds today 35% of the island's livestock, the biggest cattle-raising unit in the Middle East area and 10% of the cereal growing.

The economy of Athienou is heavily depended on the agricultural sector and except livestock and cereal growing mentioned previously it is has equally developed its agroindustry sector. Stock-raising is taking place in organized livestock areas and a small industrial area has been constructed in recent years to host traditional industrial functions that were seeking technological advancement. A more industrial scale of agro-manufacturing is taking place in the industrial area's contemporary facilities, but also smaller more traditional artisan production is still going on in home crafting facilities.

Another traditional productive procedure that has taken a more industrial form is that of tool-making. Athienou as a long lasting agricultural centre was holding the tradition of manufacturing relevant agro-tools. In the middle of the 20<sup>th</sup> century it started to evolve its knowledge in this field by producing up to date agricultural tools and machinery that was covering almost all of the island's demand. In the 70's this produce even came to be exported to neighbouring countries, but in the past two decades this sector has declined and many of the relevant companies have ceased their operation.

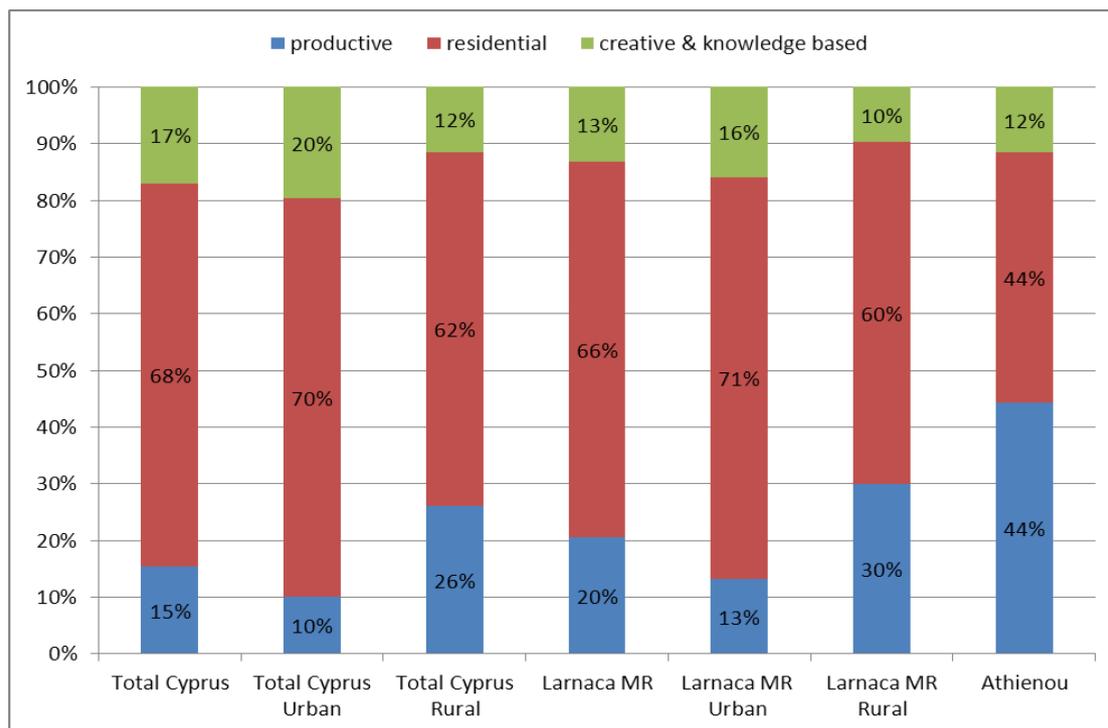
The economy in Cyprus in general has some structural weaknesses that stem from its high dependence on tourism and land development activities. Also, given the small size of the country, the openness and the shift to foreign capital is inevitable and vital for economic growth, which reduces the endogenous dynamics. In many cases foreign businesses are starring in strategic sectors such as transport, telecomm., hotels and real estate management.

At the micro-level of analysis, the small size of most firms (95 % of the total) does not favour the creation of economies of scale and the improvement of competitiveness on an equal footing with large enterprises. Entrepreneurship is generally low, while the development of innovation is still off for most businesses. Entrepreneurship in Cyprus is driven in the above context, while in rural areas things are more difficult.

By contrast, the case study town is a rural area with traditionally developed entrepreneurship, minimal dependence on foreign capital and valuable contribution and presence in the primary and secondary sectors of the country. Most of the investments come from the local businessmen that adhere to continuously evolve traditional activities of livestock, agriculture and manufacturing. Several of the existing firms have relatively good organization and modern equipment and export quantities of their products elsewhere in Cyprus or abroad.

The Cooperative organisation of Athienou has also contributed in the development of business activity and consciousness of the local population. The company is the second-oldest in all Cyprus and was founded in 1916 as an initiative of local farmers to put an end to exploitation by moneylenders. Since then, the COOP company supports local entrepreneurship, not only by commonly trading the local agricultural produce and by providing low-interest loans, but also by providing storage facilities for the agricultural products and by providing up to date machinery, fertilizers, seeds, animal feed, etc to farmers at a lower cost.

**Figure 3.34 Job distribution by economic profiles, 2011**

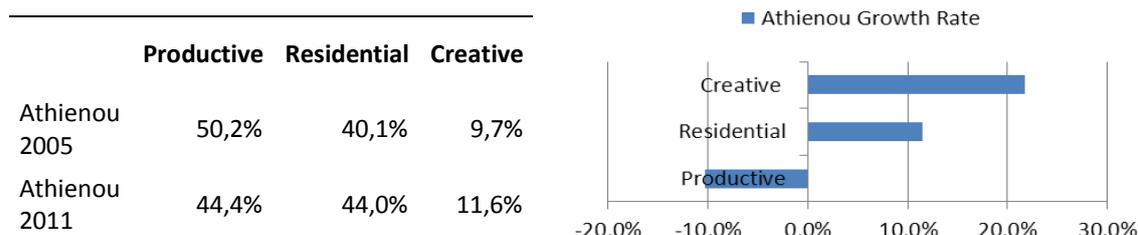


**Source:** Own elaboration, based on Census 2011 data.

The economic profiles of Athienou that are based in the number of workers by sector in 2011 are showing a balance between the residential and the productive profile. As illustrated in figure 3.35 in 2005 the productive profile had 10% more share than the residential one. This shift can be attributed as a result of the financial crisis with combination of the fact that the newer generations mostly want to participate in residential and creative professions. This recent trend is very alarming because if Athienou doesn't recognise it and make the necessary steps to recover its productive sector, it could easily lose its competitive advantages that are based on the agricultural/ agroindustry sector. What gives a positive view is the creative profile's significant growth. Athienou could invest in combining the forces of its productive and creative sectors and thus creating a more sustainable economic environment.

A factor that is considered as a drawback by the interviewed stakeholders is that the companies are facing problems on competitiveness and of limited market workforce. This is mainly due to the small size of the local market and the relative isolation of Athienou from the big urban areas. These drawbacks are unavoidable effects caused by the ongoing occupation and division of Cyprus. The stakeholders have a strong believe that in case the island gets reunified, Athienou will rapidly get its central functional role back.

**Figure 3.35 Economic Profile Weights 2005-2011 and Growth Rate**



**Source:** Own elaboration, based on Census 2005-2011 data.

## **4 Policy Dimensions of SMSTs**

### **4.1 Impact of EU and National Policies on SMSTs**

As we have seen in chapter 3 over the last decades each of our case study town has undergone considerable change, in socio-economic and demographic terms, as well as with regard to the position they occupy within the wider territory. Here we seek to set out how they have responded to these changes with a particular emphasis on the policy dimension. However, it needs to be reminded that, as noticed in chapter 1, the category of SMSTs in Cyprus is not the object of a separate EU or national policy.

Policies in major urban areas, other areas that are of exceptional importance or areas undergoing intensive development pressures and rapid physical development are taking place through statutory “Local Plans”. For the rest of the island’s territory the “Policy Statement for the Countryside” as a legally binding document in the form of an adapted regional plan is set to control the development and the protection of the environment in rural/ coastal villages. Relevant EU and National strategic policies are thoroughly integrated in the above plans that constitute the law of local development. All three of the case study towns are covered by a separate Local Plan and selected policies that were found to be relative and noteworthy in the context of SMST’s are presented in the next chapters.

The effort of the Island Plan (see chapter 1) to facilitate regional and rural centres was disrupted by 1974’s occupation and division of the Island. Valid efforts took place after that, in order to follow a spatial national policy through the strengthening of selected important areas. It has been taking place through the implementation of Local Plans in settlements other than the major urban centres. But these local plans were concerning only the administrative area of the municipality that was under study and not a greater area in order to create policies that could support the strengthening of a functional area in its totality and of the functional centre respectively. Also an effort to designate functional areas and strengthen specific settlements as centres and facilitators of services in rural areas that were not covered by Local Plans took place in the early 1990’s but was immediately revoked as an official policy. The above are a result of insufficiency to implement effective national and regional spatial policy, which was caused mainly by the division of the island and the predominance of local interests over regional and national ones. The second reason seems to be infiltrating most of the decisions in policy making in Cyprus, because of the nation’s small size that gives much easier access of local interests to national stakeholders.

Positively, in the recent years the central government in cooperation with the local administrations is preparing Local Plans that are covering greater areas and groups of settlements in order to implement policies that concern functional rural areas that have been identified mainly based on qualitative criteria. Dali and its surrounding settlements are included in such a local plan that is under publication. But even under this effort there is no focus on facilitating a centre for the greater functional area, but more of a dissemination of centralities in the various neighbouring settlements. This is again caused by the predominance of local interests that is mentioned above. But even this effort surely can be the start of a democratic process that will facilitate new urban centres that will be able to serve common local, regional and national interests.

It must be also noted that in the past few years consultations and studies are taking place in order to restructure local authorities in Cyprus, mainly based on the strengthening of existing partnerships/ creating new partnerships of adjacent rural communities in order to facilitate their long term alteration into new municipalities. Until now this effort was driven to be implemented on a voluntary basis with the support and provision of incentives by the central government. Due to the recent focus of central government and local authorities to handle the shock of the Cyprus banks bail-in, this whole effort has been set aside for the moment.

The Structural Funds and Cohesion Fund have financed significant projects and programmes in the period 2007-2013. The funds have been disseminated under two categories. The first one is concerning human capital, employment and social cohesion and the second one is concerning sustainable development and competitiveness.

The first category of the funds was channelled through programmes that were implemented mainly by national authorities, universities, enterprises and social partners. Local authorities were only eligible for programmes relevant to the improvement of administrative capacity and supporting socially vulnerable groups to become economically active.

The second category was driven a) to big infrastructure projects that were implemented by national authorities, b) to research and development that was implemented by national authorities, research centres, enterprises and researchers, c) to productivity that was implemented by enterprises and last d) to the regeneration of urban and rural areas that was implemented by national authorities, local administrations and enterprises. Only this second subcategory was giving the local authorities to be beneficiaries for their own projects. Also it must be noted that most of the SMSTs in Cyprus were not eligible to participate in this sub-category, which was the only one funding regeneration projects, because only the major urban areas and the mountainous settlements (above 500m altitude) were eligible.

So it is concluded that SMSTs in Cyprus are having a difficult time to act as beneficiaries and to accomplish their own local policies and projects through structural and cohesion funds, which are the main instruments for implementing growth on the island. But surely it can be argued that SMSTs have been benefited indirectly by the national policies on human capital, research & innovation, productivity and social cohesion as also from the big infrastructure projects (waste and water management, ports and national road network upgrade, public transportation network upgrade, etc).

On the other side, the Rural Development Fund 2007-2013 has been mainly funding farmers, national and local authorities to improve agriculture, the environment and cultural heritage in rural areas. It has also been made possible through the LEADER programme to institutionalize regional development agencies. Most of the communities and municipalities are now participating in 5 such agencies (non-profit organisations with the municipalities/communities being the stakeholders). This has enabled local authorities to form strategic partnerships and absorb the maximum possible of European funding and to realize their common policies and goals by participating in relevant EU Programmes. The agencies except in the Rural Development Programme and LEADER are also participating in the Operational Fisheries Programme, in European Territorial Cooperation Programmes like MED, ENPI, INTERREG IVC, Greece-Cyprus and in various other programmes like URBACT, CULTURE, etc.

## 4.2 Local development policies and practices of SMSTs

### 4.2.1 Dali

Among the policy documents that are affecting Dali, illustrated in table 4.1, the Local Plan for the area South of Nicosia is the most crucial one in terms of policies that are regulating growth and sustainability in the area. The formation of the semi-rural conurbation in the area has been identified by the policy stakeholders and a Local Plan covering Dali and 4 other adjacent is under publication. The Local Plan's strategic vision is focusing on the strengthening of this network as a future urban-rural cluster with common outlook and goals by exploiting its strategic location and by promoting each settlement's advantages for the benefit of the whole.

Though the trend for a formation of a network of settlements has been identified and policies are being on their way to be published to support it, there are no identifiable policies concerning the strengthening of a functional centre, but rather the selection of policies that create a network with disseminated central functions between the 5 settlements. A theoretical debate could be based on a scenario according to which Dali in combination with Pera Chorio – Nisou, that are forming a contiguous urban area that is hosting central functions, would be strengthened as the centre of the greater area.

This Local Plan is bringing to the area possibilities for growth that are similar to the adjacent urban area of Nicosia. Most of the policies that are under publication for this Local Plan are already being implemented in the Local Plans of the main urban areas of the island. These policies have been undergoing deliberation and are continuously tested under participatory procedures for the last two decades in the main urban areas. In this area they have been adjusted in order to regulate a more urban environment but in the same time to maintain its semirural identity, its productive advantages and the natural/ cultural environment.

**Table 4.1 Main Policy documents affecting Dali**

Name of Plan	Thematic Area	Driver	Relation
Cyprus Strategic Development Plan 2007-2013	Strategic Planning	Central Government	Indirect
Cyprus National Reform Programme 2013	Strategic Planning	Central Government	Indirect
Local Plan for the area South of Nicosia	Spatial Planning/ Urban Planning	Central Government/ Municipalities	Direct
Dali Master Plan	Urban Planning/ Urban Regeneration	Municipality	Direct
Nicosia Integrated Mobility Master Plan/ Construction of Nicosia's Peripheral Motorway	Transport/ Urban Mobility	Central Government	Indirect
Various Transportation Studies (Interurban light rail, Restructure of the interurban bus network)	Transport/ National Mobility	Central Government	Indirect
Social Solidarity Programme	Social Support	Nicosia Development Agency (ANEL)/ Municipalities	Direct
Energy Action Plan (ISLE-PACT)	Environment	Municipality	Direct
Study for the Restructuring of Local Administration in Cyprus	Local Administration	Central Government/ Municipalities	Direct

**Table 4.2 Selected Policies of the Local Plan for the area South of Nicosia**

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Upgrade of road network and its hierarchy. Provision for a public transit station by the motorway.
Protection of the natural environment and of identifiable valuable or under risk areas.
Creation of buffer zones between the residential areas and the industrial/ livestock ones.
Connection of the 5 settlements by pedestrian paths and cycle ways, utilizing noteworthy areas.
Protection of the historical urban cores of the 5 settlements and of the cultural heritage of the area.
Limitations on the construction of individual dwellings out of the defined residential areas.
Detailed regulation of land use (other than the residential) according to the hierarchy of the roads.
Promoting large shopping facilities in the existing local commercial centers in order to activate them.
Detailed regulation of land use and types of facilities in the industrial areas. Promoting relocation of intrusive industrial facilities from residential areas to the industrial areas.
Promoting sustainable tourist development in traditional and listed buildings.
Policy for large scale urban type facilities in specific areas (athletic centers, universities, research centers, theme parks, medical centers, tv-radio stations, leisure and cultural centers, etc).
Detailed regulation of types of facilities in the livestock areas. Promoting of relevant facilities to relocate in the defined livestock areas.
Delimitation of specific areas to host a wide range of types of land use, in order to promote growth in a controlled and regulated way.

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A master plan was also prepared for Dali in 2008. This document doesn't have any statutory status and it acts rather as a policy guiding framework for local and national stakeholders concerning the municipality's growth. Except projects and policies concerning transportation (road network, parking, pedestrians and cyclists), the natural and built environment of the settlement, this plan is proposing some rather interesting policies: a) the creation of a small incubator for innovative technology related enterprises in the historical urban core, b) promoting the use of existing public facilities (schools, museum) c) by secondary alternative uses in parallel to the primary use, c) promotion of reinstating social welfare facilities in the historical urban core (house for the elderly, nurseries, etc) and d) creation of a framework for the promotion of collective consciousness in the community through schools and workshops.

In terms of revenues, except the significant income from taxes over the enterprises of the industrial area, Dali was receiving important fees from the building permits for the new houses. The second income has shrunked dramatically after 2008 (financial and property crisis). Also the governmental grants have been reduced to minimal, especially after the Cyprus bank bail-in of March 2013. Fortunately the local administration of Dali has kept a tidy budget in the previous years and is one of the very few municipalities of Cyprus that is not in debt. Dali has succeeded where others have failed. One of the cost cutting measures they have implemented is that they have outsourced part of their services (e.g. garbage collection) to private companies through tendering procedures.

Although there is no formal organisation for the coordination of the municipalities/communities of the area, Dali is participating in committees established by the municipalities of the greater urban area of Nicosia, where common issues are discussed and taxed for promotion. In order to confront the governmental grant shrinkage, Dali in collaboration with the other municipalities of Nicosia have created ANEL, a development agency which is focusing on the absorption of EU funding. The municipalities are jointly conducting a study for common service providing (e.g. garbage collection) in the greater urban area of Nicosia,

in order to reduce their costs. Also they are implementing a common programme for the active inclusion of foreign citizens.

Regarding the local administrations of the area (at least the 5 ones that a Local Plan is implemented), there is no formal or informal instrument for collaboration. Also no attempted for cooperation have been identified, (e.g. common service providing, sharing of facilities and resources). But the interviewed stakeholders have indicated that there is a good spirit of partnership in the area and that this will be strengthened more after the publication of the Local Plan. Even the publishing of a common Local Plan is a sign of good will between the local administrations.

One notable particularity also mentioned in the previous pages, is that the settlement of Dali is not contiguous, there is a new residential area northern of the central settlement and the industrial and the livestock area are in between them (see figure 3.5). The new residential area is acting exclusively as a high quality sleeping-suburb, with the presence of only the basic public amenities (primary school, church, parks and few sporadic neighbourhood-type retail and recreation facilities). This fact has also been identified in the Local Plan and new areas have been defined for development of retail and recreation activities.

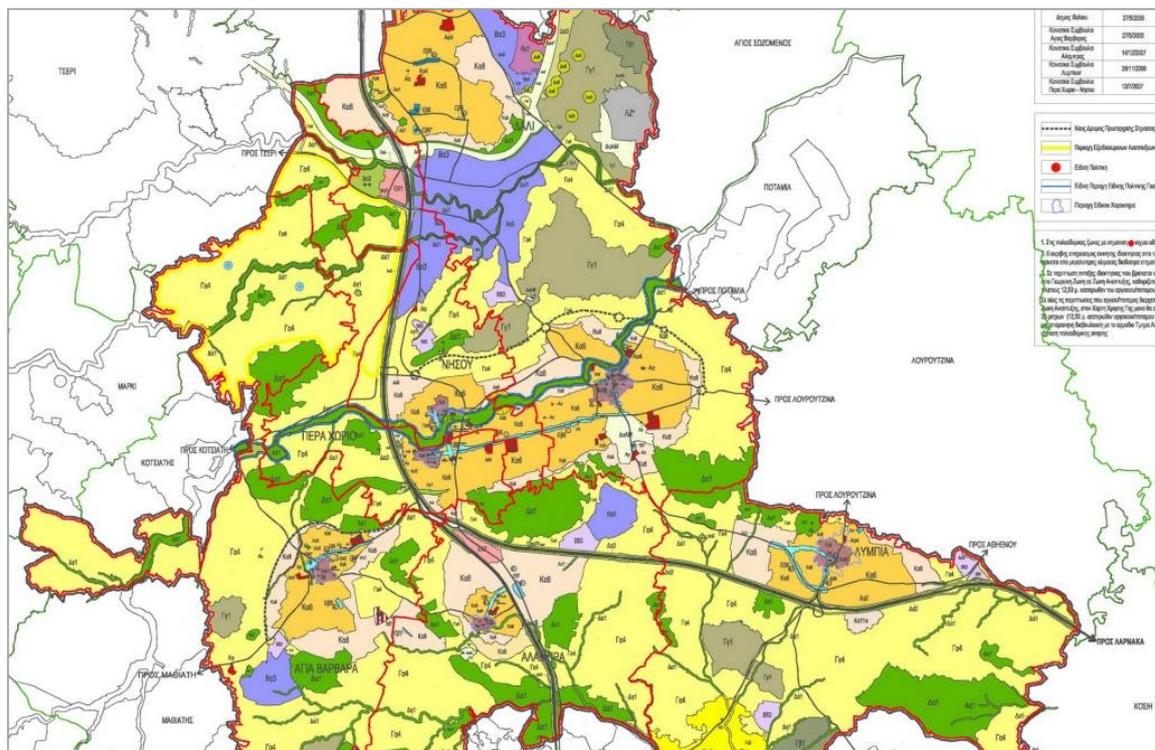
Another thing identified by the Local Plan is the conflict of incompatible uses (housing and industry/ livestock farming). Buffer zones have been provisioned in order to protect the residential areas. Local administration and policy stakeholders have also two key issues to confront in Dali; one is the bridging of the gap between two residential areas for functional and administration reasons and the second is to address the forthcoming competition for land between the residential, the industrial and the cattle farming in the years to come.

Dali is pioneering in the social sector also; it is the first municipality in Cyprus that has established the neighbourhood watch. It has done so in a successful way, lowering theft by 27%, so that the other municipalities are now following its example.

Over the entrepreneurial side, the local Chamber of Commerce and Industry (Nicosia's) is playing a vital role. A local committee for the businesses of the industrial area is in operation and the Chamber is looking after to understand their needs and to promote them to the municipality, the ministries and the parliament.

**Figure 4.1 Local Plan for the area South of Nicosia, 2012**

**Source:** Town Planning Department, Ministry of Interior



#### 4.2.2 Paralimni

The municipality of Paralimni has until recently remained outside the scope of the Town and Country Planning Law. It was for many years resisting the enforcement of the Law applied to the rest of Cyprus since 1990 mainly due to divergent priorities and objectives between the national and the local levels of decision making. Paralimni had been applying only rudimentary building control under the old Streets and Buildings Regulation Law. Recently (in 2006) after many years of extensive building development in the coastal area, a Local Plan that was prepared by the Department of Town Planning was published. It was basically going along with the existing high density land use coastal zones but also providing for low density zones in undeveloped lands set back at some distance from the coast to prevent almost indiscriminate holiday housing development in the uphill locations whose development would alter the landscape and burden further the local infrastructure.

The local community since then has been opposing strong objections to the proposed Local Plan together with the land owners who had bought land in the low density proposed zones expecting higher density development zones in the future. This resulted to the cancellation of the Local Plan of Paralimni in 2011, after an appeal that was done by many of the land owners (totally 110 appeals to the Supreme Court). It must be noted that the decision of the Supreme Court was not based on the policies of the local plan but on wrong procedures that were followed during the publication of the plan. Today a Statement Policy for Paralimni (almost identical in context to the cancelled local plan) is into force and a new local plan is under way for publication. The positive outcome of this situation has resulted to a more public participatory procedure when issuing development plans in Cyprus, which benefits the blend of national and local goals.

Of course local society should play a greater role in policy making as the final beneficiaries of all economic and social development. The 'local point of view' on 'development' should be given more attention in order to apply as much transparency to the policy making procedures, to avoid conflicts over proposed actions and to avoid recurrent delays in implementing plans, policies and projects nationwide. But development policy shouldn't just be left to an on-going phenomenally "democratic" debate between national stakeholders and local stakeholders/ owners. This procedure may create a more transparent bridge between these two pools of interests but most probably it won't be able to create comprehensive and innovative policies.

By the first chapter of this study, two key issues have been observed and identified as the main deficits in the process for the formation of comprehensive, sustainable and innovative policies in Cyprus and it seems fit to be repeated here, as in Paralimni the effects of these disadvantages are much more enlarged than in the other two case studies:

- a) The first is the absence of a comprehensive spatial development strategy, which has among other, resulted to a geographically and thematically segmented approach of development.
- b) The second is the shortage of academic and research capital focused on the processing of strategic, spatial, urban planning policies. Academic and research infrastructure in Cyprus is still very young (e.g. the first national university has started its operations just two decades ago). Also the nationwide research community, that is somewhat older, has not been concerned systematically with these fields yet.

Another secondary issue is that there have not been any significant efforts to sensitize and educate the public opinion on matters of spatial and urban development as much as in other successful campaigns (e.g. for the protection of the environment). Even a search among Cyprus NGO's and Think Tanks, that have the capacity to influence policy making, gives almost no results for any engagement with spatial and urban development issues.

**Table 4.3 Main Policy documents affecting Paralimni**

Name of Plan	Thematic Area	Driver	Relation
Cyprus Strategic Development Plan 2007-2013	Strategic Planning	Central Government	Indirect
Cyprus National Reform Programme 2013	Strategic Planning	Central Government	Indirect
Paralimni Local Plan	Spatial Planning/ Urban Planning	Central Government/ Municipality	Direct
Ammochostos <sup>24</sup> Local Plan	Spatial Planning/ Urban Planning	Central Government/ Municipality	Indirect
Cyprus Strategic Tourism Plan, 2011-2015	Tourism	Central Government	Indirect
Energy Action Plan (ISLE-PACT)	Environment	Municipality	Direct
CAMP Cyprus	Coastal Management	Central Government	Indirect
Natura Management Plans (for Paralimni Lake and Kavο Greko)	Environment	Central Government/ Municipality	Direct
Study for the Restructuring of Local Administration in Cyprus	Local Administration	Central Government/ Municipalities	Direct

The main strategic goal of Paralimni's Local Plan is to "reprogramme" the development of the area in a more sustainable way, either by controlling growth in the already developed areas and preventing more sprawl, by protecting the natural environment (especially the coastal area) and promoting renewable energy private infrastructure, by providing a more detailed regulation of land use, by aiming to solve the existing problems relevant to the transportation, to the protection of cultural heritage, to the aesthetic and functional enhancement of the commercial and touristic areas, etc.

It must be also noted that specific policies are trying to achieve a better touristic product in the area a) through planned public infrastructure projects, b) by giving incentives for hotel improvements and c) by promoting big projects either of the private sector or of public-private partnerships (golf courses, athletic centres, artificial reefs, marina, etc). The local plan is also documenting specific policy incentive-based measures that are a) focusing on the activation of the private sector to aesthetically and structurally upgrade its existing buildings (under a detailed regulatory framework), b) to change the existing intrusive use of a building to a more appropriate one, c) to develop new buildings in selected areas and under preferred types of land use, d) to give part of the private developed land for future open public use (road network, parks, squares), e) to regenerate areas in cooperation with the public sector, g) to improve the seashore area and give back parts of it for the public that are currently under private use.

What is oddly enough is that even if in the initial conclusions of Paralimni's Local Plan it is acknowledged that it has evolved into the functional centre of its greater area, the main strategy is focused in Paralimni's further development mainly as a touristic centre and not to that of a multipurpose functional centre. This event is more intensely illustrated by the fact that a new local plan that covers most of the settlements of the Ammochostos District<sup>24</sup> is under study, but that it leaves out the three settlements that have gathered most of the functional centralities of the greater area (Paralimni, Deryneia and Agia Napa). The above towns already have three separate local plans that cover each one's administrative

<sup>24</sup> This Local Plan is under study and it concerns part of Ammochostos District that is under the effective control of the government of the Cyprus Republic.

boundaries, but one would expect that the new Ammochostos Local Plan could act as a regional plan organizing all the settlements in the area under its strategic advantage. That is the evolution of a very strong network of agricultural settlements in a coastal tourist development area.

Together with Paralimni<sup>25</sup> and Agia Napa, the rest of the settlements of the area are also growing and benefiting mostly by the tourist development that is happening in the first two towns. Surely the natives of Paralimni and Agia Napa have benefited much more, as they have seen the value of their land reaching immense proportions, but the population of the other settlements have found a wealth of opportunities for entrepreneurship and job placement in those areas. This fact is essentially overlooked because all over the island spatial policy-making is mostly influenced by local interests that seek to make a profit by the increase in the value of the land and this is the main reason that fragmented development policy is still at large.

Even the recent property bubble burst and its unfortunate and disastrous effects seem not to give the go-ahead for more economically and socially sustainable development policies that will be based on the complementarity between various settlements and that will be benefiting the totality by exploiting each settlement's primary advantages. In this case, even if in the new Ammochostos Local Plan it is recognised that Agia Napa and Paralimni are acting and will keep acting as tourist job centres for the whole area, the plan is seeking ways to promote growth and to strengthen a network for the rest of the settlements without including these two central/ crucial towns in the plan, or alternatively without the guidance of a regional strategy that will identify, quantify and support the role of every settlement and the networking connections between them, thus creating common sustainable growth for all of them.

An example of the deficiencies created by the lack of a regional spatial strategy in this area is illustrated; although the centrality of Paralimni & Agia Napa and also that the rest of the settlements of the area act as the hinterland of these two towns is identified, the strategy of the new Local Plan of Ammochostos is focused in the promotion of growth by strengthening the capacity of job placement in the hinterland's settlements over various fields (agriculture, tourism, manufacturing, services, research and development, etc).

The study team wants to argue the choice of this strategy and debate that an alternative scenario of development could be eligible for selection under a different examination of the area. One that takes into account that the area has already evolved under a specific and relatively functional model, where the hinterland is very much dependent on Agia Napa and Paralimni and that the policies and subsequently national government resources (which by the way became very limited by the financial crisis) should be focused on supporting the growth of multipurpose centrality on those two towns over the very difficult future period and at the same time stimulate with targeted policies and low cost common infrastructure projects the best advantage that the rest of the communities have, that of agriculture and agroindustry.

It seems much more feasible to take measures that maintain the growth in an already developed area that has accumulated the capacity to attract entrepreneurship and create jobs (that of Paralimni and Agia Napa) and at the same time mobilize the hinterland to grow alternatively at what it can do best by focusing the government's and local stakeholder's efforts and resources over this goal. This solution could ensure that the income from tourism will keep flowing in the area over the next years and that the hinterland will benefit directly

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<sup>25</sup> For the purposes of the description over this page when Paralimni is named it must be considered as one united entity with Deryneia because they are already forming a contiguous urban area.

and quickly by technologically advancing its agricultural and agroindustry sectors. If one considers that more than one million visitors need to be fed every year in the region and that the settlements of the area have more agricultural dynamic than everywhere else in the island, it can be easily understood that there is a huge wealth in agriculture and food agro-industry.

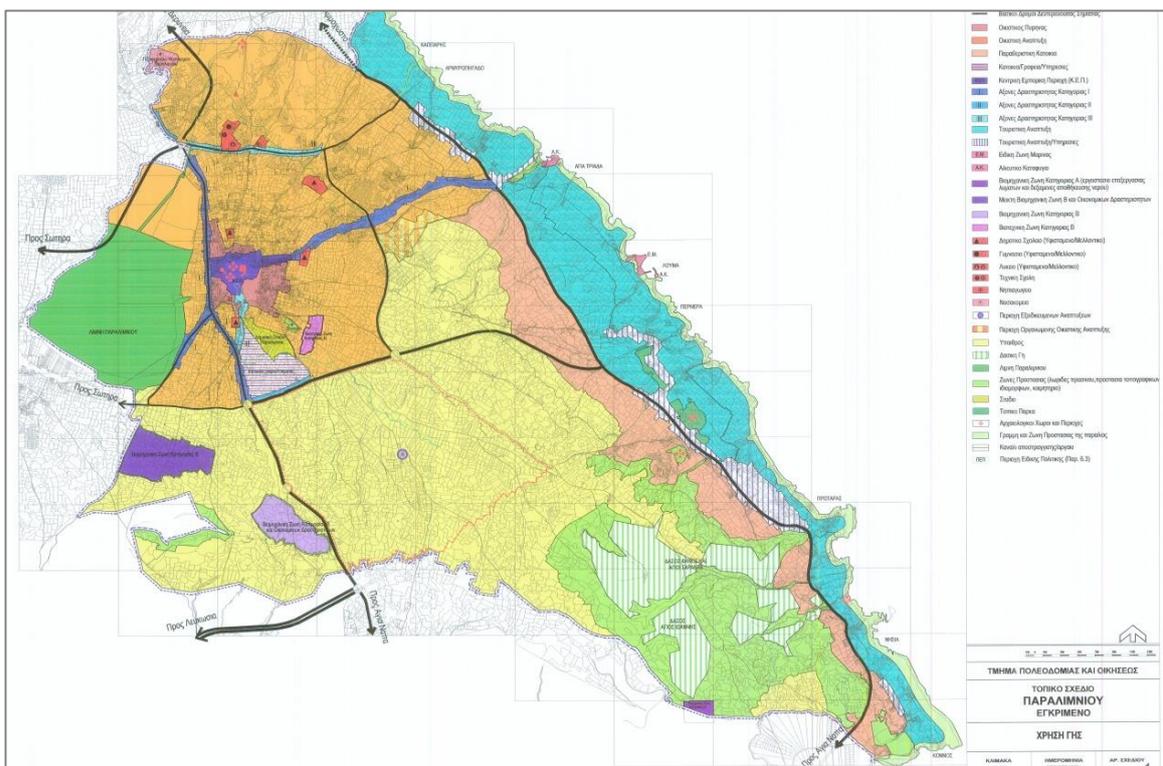
Paralimni, as the previous case study town, is participating in a development agency with many other settlements coming from Larnaca and Ammochostos districts (ANETEL) which is focusing on the absorption of EU funding. Also Paralimni is cooperating with other municipalities and communities of the area for common service providing (sewage system and garbage collection) in order to share the costs. It must be noted that there is a relevantly dynamic cooperation among the settlements of the Ammochostos region that is expressed through an association of the entrepreneurs and industrialists of the area, a local tourist development agency and common councils that organize the trading of local agricultural products. Paralimni is also maintaining a good network with cities abroad through twinning.

During the interviewing period of this study, the relevant stakeholders have highlighted issues and policy recommendations for Paralimni that have not been mentioned above and the study team sees fit to document them at this stage:

- a) The existing dynamic that lies in the agricultural field should be supported through actions that combine it more actively with the tourism sector (e.g. the creation of open public markets in the tourist areas where the agri-products can be sold directly from the producers).
- b) Give to the local administration the right to impose small amounts of direct taxes on its own businesses and private households in order to become financially independent.
- c) Preparation of 10 year Strategic Plan for the development of the Ammochostos region.
- d) Implementation of specific measures that will attract foreign investments of large scale in the tourism sector.
- e) Strengthening of Paralimni as the functional centre of the Ammochostos region. Also relocation of additional governmental services from the city of Larnaca to Paralimni.
- f) Establishment of a national Tourism Academy in the area.

**Figure 4.2 Paralimni Local Plan, 2006**

Source: Town Planning Department, Ministry of Interior



### 4.2.3 Athienou

As mentioned in both previous case studies, among the relevant policy documents (see table 4.4) the one that has the most influence in terms of regulating the local development and promotion of sustainability is the Local Plan. This document's strategic vision is focusing on maintaining the dynamism that Athienou is achieving and on upgrading the town's overall position in order to overcome the development constraints arising from the existence of the UN buffer zone and the division of the island, while providing policies that prepare the town for a possible reunification.

The Local Plan is bringing to the area possibilities for growth that are evolving it to a small urban area and at the same time protecting its traditional rural identity. As also explained in the case study of Dali, all the Local Plans are similar in structure and philosophy and they share many similar policies that are adjusted in order to serve the vision and goals of each town. Selected significant policies of the Local Plan of Athienou are presented in table 4.5 and among them a specific one needs to be documented further as it has to do with the promotion of residential development in the northern part of the settlement which is adjacent to the occupied area of the island. The main measures that are taken into force in order to make this happen is the provision for a new peripheral road network and a municipal athletic centre in the area, the permission for shopping facilities and other urban-type facilities on the peripheral road, the promotion of residential units through financial and urban planning incentives and the promotion of social affordable housing.

**Table 4.4 Main Policy documents affecting Athienou**

Name of Plan	Thematic Area	Driver	Relation
Cyprus Strategic Development Plan 2007-2013	Strategic Planning	Central Government	Indirect
Cyprus National Rural Development Plan 2007-2013	Strategic Planning	Central Government	Indirect
Athienou Local Plan	Spatial Planning/ Urban Planning	Central Government/ Municipality	Direct
Athienou Development Plan	Local Development	Municipality	Direct
Urban N.O.S.E.	Social Enterprises	Municipality	Direct
Study for the Restructuring of Local Administration in Cyprus	Local Administration	Central Government/ Municipalities	Direct

Local administration and policy stakeholders have two key issues to confront here; a) the conflict in land use resulting from residential development coupled with intensive livestock farming in recent years which is causing severe environmental pressures and degradation of the quality of life in the town, b) the improvement of accessibility to the town of Nicosia. The first issue has been recognised as a priority and a debate is going on in order to find a more suitable place for the livestock farming area. The second issue is considered of prime importance and the local administration is trying to promote a political solution for the old road of Nicosia in order to open for controlled movement purposes<sup>26</sup>

<sup>26</sup> In 2003 some checkpoints of the green line opened and since then a control movement between the part that is under the control of the government of the Republic of Cyprus and the occupied part. In the last years there have been intense efforts to also open the checkpoints that will allow movement in the old Nicosia-Larnaca motorway (time travel from Athienou to the capital city will be only 8-10 minutes).

A local development plan was also prepared for Athienou in 2006. This document doesn't have any statutory status and it acts rather as a policy guiding framework for local and regional stakeholders concerning the municipality's growth. Except projects and policies that support the advancement of entrepreneurship of the agricultural, livestock and industrial sectors of the town, this plan is proposing some rather interesting policies:

a) boosting productivity in the agricultural sector by investing in organic farming, b) strengthening of the competitiveness of the tertiary sector by encouraging start-ups in new fields like businesses related to local culture and that will be promoting local products and alternative tourism facilities, c) creation of a Local Development Park that will be hosting facilities that will combine tradition, culture, local products and innovation, d) creation of an Institute of Integrated Rural Development, e) creation of a Centre for Entrepreneurship and Innovation, f) measures that will promote the local gastronomy and cuisine, g) recycling of the livestock area wastes, h) creation of an Environmental Information Centre, i) actions that will support working women, the elderly and that will creative activities for the children, j) creation of a Professional Training Centre for young people, farmers and entrepreneurs, k) creation of a Citizen Service Centre, l) creation of a municipal company that will promote entrepreneurial actions, m) protection and promotion of the cultural heritage (the municipality is already trying to promote regeneration projects in the historical urban core and it has acquired specific important historical buildings that are samples of the Messaoria area traditional architecture in order to restore the and reuse them, like father Kallinikos house, a traditional cheese factory and a traditional inn), etc.

**Table 4.5 Selected Policies of the Local Plan of Athienou**

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Upgrade of road network and its hierarchy. Provisions pedestrian paths, cycle ways. Detailed parking policy. Improving accessibility to selected areas of the settlement.

Protection of the natural environment and of identifiable valuable or under risk areas.

Creation of buffer zones between the residential areas and the industrial/ livestock ones.

Creating a network of public open spaces for the recreation of the population.

Protection of the historical urban core and of the cultural heritage of the area (regeneration projects, incentives to the private sector in order to restore traditional and listed buildings).

Limitations on the construction of individual dwellings out of the defined residential areas, especially in agricultural areas (preservation of prime agricultural land).

Detailed regulation of various types of land use. Concentration of shopping facilities in the center.

Promoting development in the north edge of the settlement that is adjacent to the occupied territory.

Detailed regulation of land use and types of facilities in the industrial areas. Promoting relocation of intrusive industrial facilities from residential areas to the industrial areas.

Promoting the restoration and reuse of traditional and listed buildings.

Policy for large scale urban type facilities in specific areas (athletic centers, universities, research centers, theme parks, medical centers, tv-radio stations, leisure and cultural centers, etc).

Detailed regulation of types of facilities in livestock areas. Promoting of relevant facilities to relocate in the defined livestock areas. Relocation of the whole livestock area farther from the residential area.

Provisions for central type of urban type facilities to be able to be constructed in the periphery of the town (on the main peripheral road) because of the inability to be hosted in the historical center.

Promoting a social housing policy in order to withhold young couples in the town.

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Athienou, as the previous case study town, is participating in a development agency with many other settlements coming from Larnaca and Ammochostos districts (ANETEL) which is focusing on the absorption of EU funding. Also Athienou is cooperating with other municipalities and communities of Larnaca in the district's Tourism Development Company. The local administration is also looking to form partnerships with neighbouring local administrations for common service providing (sewage system and garbage collection), common water-supply, athletic facilities and sanitary control services in order to share the costs.

Socially the local administration is implementing policies that have to do with the support of the elderly (recently build house for old people) and young couples (by keeping the children under creative activities in the afternoons after the school so that the parents can more easily reintegrate in job places).

Over the entrepreneurial side, as explained in the previous chapter the Coop Company plays a vital role not only as a bank but as an organization that seeks to support and protect the farmers. Also two associations, one of the cattle farmers and the other of the industrial entrepreneurs is seeking to support the interests of each group in the area.

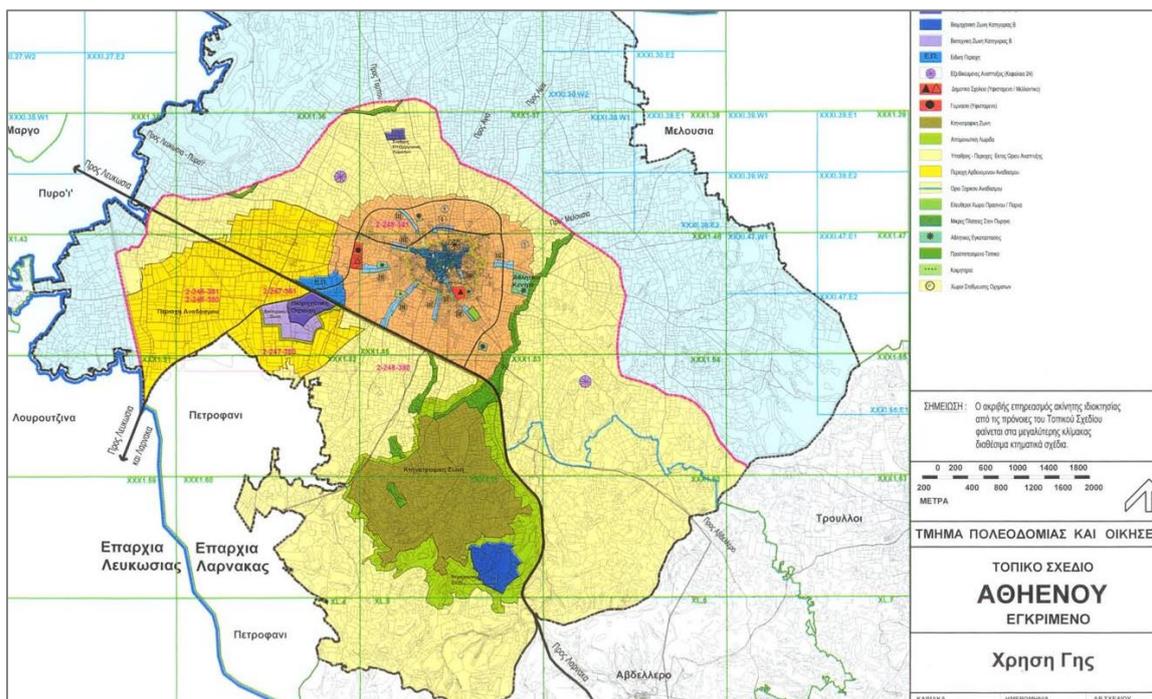
The municipality of Athieou has recently participated in an URBACT project called URBAN NOSE where the following strategy and activities were proposed in order to promote the creation of social enterprises:

AXE 1: Increasing the knowledge of the social enterprises and promoting the benefits and possibilities they offer (through schools, higher education, workshops, conferences, awards)

AXE 2: Support to SMEs: Provide support to existing businesses and structures that operate in the Municipality of Athienou in order to be able to develop into social enterprises. That includes the creation of a business support office and training activities in order to give to new social entrepreneurs the best chance of success.

AXE 3: Social business incubator and start-up services: A place must be provided that will accommodate companies in order to create the business incubator. Before the creation of the incubator the companies will be able to receive start-up services such as secretarial support, logistical support, preparation of business plans, action plans, etc.

**Figure 4.3 Athienou Local Plan, 2012**  
**Source:** Town Planning Department, Ministry of Interior



#### 4.3 Policy Recommendations on SMSTs

##### **a) Multi-scalar approach**

The need for fulfilling the deficiencies created by the absence of an Island Plan is recognized by the national policy stakeholders and referred to in the Strategic Development Plan 2007-2013. But unfortunately no active measures have been taken in order to reactivate an Island Plan. So this leads to a non-coherent spatial strategy, one that lacks a clear common vision for the island's comprehensive development. The distribution of population, employment and the location of the infrastructure of national importance, the utilisation of resources and the identification of future development opportunities are driven mostly by the private sector's growth trends and by fragmented spatial policies.

The problems created by the Island Plan's absence become obvious when one is scanning through the Strategic Development Plan 2007-2013. The island's space is divided into two categories, the urban and the rural. Unfortunately this simple categorization is focusing the government's strategy either on the four main urban centres (and the network connecting them), or on the rest of the rural area as a whole (and its relation to the main urban centres). This outcome has led to the misrecognition of an outmost importance of settlements, the SMSTs, that have an urban-rural physiognomy and have been catalysts for private-led growth in the last decades. This misconception is illustrated also in the way that development funding has been disseminated in the last programming period (chapter 4.1).

A comprehensive spatial strategic plan that will systematically identify and analyse the various types of settlements, their best advantages/ perspectives, their functional areas and their interconnecting networks will surely provide a far more sustainable strategic context for the preparation of the lower levels of spatial planning and would surely provide the context for strengthening the role of SMSTs in Cyprus. The case study team insists that an Island Plan must be the government's first priority, but it's not proposing this just to benefit the SMSTs.

Through this case study it has been understood that SMSTs in Cyprus can deal more effectively (than the large cities) with the rapid changes imposed by the financial crisis. This flexibility in evolution is mainly founded in the strong local social cohesion and in the nature of their economy that has evolved on the initiatives of the local private sector and it's not dependent on public or large scale investments. These two main key elements give Cyprus SMSTs the capacity and the perspective to keep creating economic growth (even sustainable if repositioned) in a mid-crisis period, thus benefiting their surrounding areas and the island.

In the context of the Island Plan SMSTs can also provide solutions for the other two categories of towns (Large and Vsts). For example a network of an SMST with other Vsts that is agglomerated to a large city can provide an opening for new development opportunities for the bigger urban area. On the other hand the selective strengthening of settlements in disadvantaged mountainous areas could address long lasting problems observed in the Vsts of those areas (demographic and economic decline, abandonment of the agricultural sector, inability to facilitate adequate services that preserve the ecosystem and cultural heritage, etc).

What is also considered by the study team as equally important is the preparation of regional plans for the regions that will be identified as functional areas through the new island plan. As a preliminary proposal based on the conclusions of this study 7 different regions are identified as candidates for regional plans. The four regions are concerning the functional areas of the major urban areas of Nicosia, Larnaca, Limassol and Paphos. The other two coastal regions are in the west and east parts of the island, those of Polis and Paralimni-AgiaNapa. Last another region covering the whole mountainous Troodos area that was not identified as a functional area during this case study but it needs to be treated as a separate region because of its distinct environmental and cultural features. It must be mentioned, that the central government has already under study several local plans in the Troodos area that are each one covering a small group of settlements (mostly based on the delimitation of informal regions mentioned in chapter 1). But the study team is strongly recommending also that a regional plan covering the whole Troodos area should be implemented, because it is believed that this is the only way to promote comprehensive strategies and policies for the specific demographically declined mountainous area.

The regional plans will provide an in-depth analysis of the mentioned regions and thus facilitate policies that will be strengthening the networks and settlements of each region, based on their common characteristics and advantages. They will also provide a connection between national and local interests that is not deeply competitive and based on localism, but that will be based on complementarity and the recognition that “team-spirit” can benefit the development of all the “players” in the region. But team-spirit must not be confused as an absolute and equal dissemination of resources and effort to every settlement of the region. It must be taken into account under the prism where all the settlements acknowledge each other’s advantages and disadvantages and that all understand that by focusing resources and effort on key settlements and common advantages, the whole team can be competitive in the game of growth. The study team also believes that regional plans will bring to transparency each of the settlements interests and bridge them under a common open regional debate, thus creating foundations for sustainable economic development.

What must not be forgotten is that any attempt of a formation of a new Island Plan must seriously take into account provisions that will enable a functional reunification of the island.

## **b) Spatial and Urban Development Education**

In respect to the processes that are followed in the making of the Local Plans in Cyprus, it must be admitted that significant efforts are taking place in order to have an integrated, multi-actor and participatory result. National and local stakeholders from all the sectors influencing growth (environment, culture, natural resources, infrastructure, transportation, socioeconomic, etc) are participating actively in the publication of a local plan and an open participatory procedure for the public is taking place in order to take any entrepreneur/ owner/ citizen comments. This is an on-going process as the Local Plans are periodically reviewed every five years.

But there is a deep deficiency of knowledge among the citizens and entrepreneurs of the island concerning the matters of spatial and urban development. There have not been any significant efforts to sensitize and educate the public opinion on matters of spatial and urban development as much as in other successful campaigns (e.g. for the protection of the environment). Also the academic and research capital of Cyprus hasn't yet been systematically concerned on the processing of spatial and urban planning policies. The above facts unfortunately leave the participatory procedure to be seen by citizens mostly as an event that they must engage in only if the value of their property is affected by the policies of the Local Plans and not as a chance to influence policy-makers to upgrade their quality of life.

The study team is of the opinion that solid and long term policies (starting from now) confronting these matters must be taken into action. Policies that will promote the creation of NGO's and Think Tanks in the field of spatial and urban development and also that will engage citizens in a more educational path over the same field (through schools, seminars, workshops, etc). But policy influencing evidently needs the provision of scientific conclusions and innovative solutions from the academic/ research community of the country. The government sector must couple with the private and research sectors in order to fund programmes that will systematically study and provide not only data and conclusions but sustainable strategic spatial and urban planning solutions.

The adoption of an Island Plan (see previous page) without a strong nationwide movement of citizens and researchers that will understand and promote that the conservation and regeneration of a sustainable urban environment is equal to that of the natural environment, surely will have very poor results. Without this strong movement, even the Island Plan that is a purely nationwide strategic spatial plan will be infiltrated by narrow-minded localism and won't provide to the nation what is supposed to (a sustainable regeneration). Evidently SMSTs will be amongst the biggest losers if this doesn't happen because as illustrated in previous pages they have not been in the attention of strategic decision making. And this will surely affect the whole nation as it has been evidently illustrated in the previous chapters, that SMSTs can be the best facilitators of growth in this mid-crisis period.

### **c) Urban Regeneration Projects as catalysts of Sustainable Growth**

It must be noted here that the study team through its multidisciplinary experience has a strong believe that regeneration projects are the best catalyst for promoting sustainable growth. These projects, even if concerning the regeneration of a town centre, a coastal resort area, an old industrial area, a disadvantaged residential neighbourhood or an old airport, the upgrade of poor connections between settlements, the sustainable enabling of culture or environmental sites, etc weight much more on the sustainable economic development scale rather than projects that promote growth in undeveloped rural areas.

Especially if one takes into account that due to the financial crisis and the property bubble a big surplus of empty buildings and underutilised infrastructure is at stake, it would be a crucial mistake not to seek sustainable solutions that regenerate the existing underutilised capacity and find solutions that attract capital investments in those areas, rather in new undeveloped areas. After the latest Cyprus Bail-In (March 2013), the central government is seeking immediate measures to rejuvenate the islands economy. Many of the recent views in policy-making and entrepreneurial pools seem to maintain their attention on the facilitation of undeveloped government rural land for large scale projects (marinas, athletic centers, large scale resorts, medical centers, theme parks, education centers, new residential areas, etc). For sure targeted large scale projects are needed, but in the study team's focusing in undeveloped rural land is not the solution. Innovative policies that will enable the partnership of the public and private sector in underutilised urban areas and in parallel finding ways to attract foreign capital investments in those areas is the sustainable way to fight the crisis effects.

EU policy of funding should also take this very seriously in account, as its role is more crucial than any other. Again through the study team's multidisciplinary knowledge it has become strongly evident that targeted, low cost public regeneration projects in key urban areas can create multiple beneficial effects for the promotion of private growth and public-private partnerships. In these times where the national fiscal policy has no such resources, EU can give a rescuing hand by injecting funding in such projects.

It is acknowledged that urban regeneration was in previous strategies of the EU and that now funding is set to be channelled through an environmental and innovative spectrum. But urban regeneration is a deeply environmental act as it directly benefits the built up, social, economic and natural environment of society. It may seem logical that urban regeneration was successful in previous decades and that now is time to move forward in other more innovative methods to promote growth. But the study team strongly insists that urban regeneration is a long lasting successful remedy for growth and that it shouldn't be abandoned. Instead it should be repositioned in a more innovative path, by giving access to local actors to promote contemporary opportunities, by combining with technological research and education that will improve the local skill, by implementing innovative information and communication infrastructural framework, etc. So what is very crucial is to quickly find ways that reposition urban regeneration in a more innovative way.

SMSTs will benefit mostly by this act; significant regeneration efforts and funding should be dedicated to them. Because of their relatively small size and their flexible economies it is

expected that the private sector will promptly react (much faster than in the large cities) and find ways to regenerate selected areas in a repositioned sustainable path that will be guided by the targeted public regeneration projects and by public private partnerships in key urban areas. Also as it has been made evident through this study, that quality of living in terms of a more relaxed family life closer to nature and tradition is much higher in SMSTs. Regeneration projects that will stimulate entrepreneurship and provide additional urban-type facilities, will benefit SMSTs much more than large cities because they will make them attractive to young people and thus combating their demographic problems.

#### **d) Diversification VS Strategic Repositioning**

Another key finding that was highlighted during this study is that SMSTs cannot thrive on diversification as the large cities but more on focusing on their strategic advantages. SMSTs in Cyprus (and most probably elsewhere) don't have the capacity or the physiognomy to compete nationally or globally through diversification as a big urban centre has. Of course an SMST should not resort to a one dimension economy but it can compete better focusing on its better strategic advantages. What seems as a more fitted solution for SMSTs is to combat crisis by strategically repositioning parts of their already developed economies. What must be noted is that a network of SMSTs and smaller settlements could act as a diversified totality and gain higher capacity to compete.

From the very recent effects of the financial crisis examined in this case study it has been made evident that towns that have a residential economic profile will be having a harder time coping with the years to come. On the other side the one with a strong productive profile are facing less immediate problems but will suffer negative effects also if they don't take any measures. The study team proposes that all SMSTs should focus on repositioning their economies, either by strengthening their creative profile, by creating beneficial connections between the actors of the productive and the creative sector, by strengthening the connection of their economies to the natural and cultural environment, etc. For example:

- i. Dali being agglomerated to Nicosia City must not rest assured on this beneficial connection but should seek ways to strengthen the network with its neighbouring settlements and its own central role in the area for the benefit of the totality. By this way it will facilitate a strong semi-urban conurbation that could provide new development opportunities for the greater urban area of Nicosia. Taking advantage of the high concentration of productive businesses in the industrial and farming areas, Dali should also find the means to create strong connections with the academic/ research community of Nicosia in order to provide opportunities for technological advance and innovation to the existing and new businesses of the area. Also Dali must take advantage of the significant number of young couples (many of them unemployed) that are residing in the town by implementing social programmes that will help them to create start-up businesses in the productive and creative sectors of the town.
- ii. Paralimni has a multipurpose central role in a network of SMSTs and VSTs and at the same time it acts as a main coastal tourist resort. It should also seek ways to strengthen the network with its neighbouring settlements and its own central role in the area because its own success affects deeply the whole region. Paralimni should take into account that neighbouring SMSTs are also playing a central role in the area (Deryneia and especially Agia Napa) and it must find ways to create partnerships that maintain and strengthen this share of centrality among these towns. Concerning the property bubble burst effects, they must be seen under a positive perspective and Paralimni should try to reposition part of its economy by promoting the facilitation of the underutilised buildings/ infrastructure to the creative side of the economy (e.g. higher education facilities, incubator centres, research & development, etc). The town should

also promote the whole region as a diversified totality and take advantage what the inland settlements have to offer, thus creating strong connections of the coastal tourism to the natural environment, to culture and tradition.

- iii. Athienou on the other hand is more isolated, but it has a valuable advantage. It knows how to grow in isolation and it has accumulated significant knowledge in traditional and contemporary agriculture/ agroindustry. This town must focus its attention in creating multi-level partnerships nationally and abroad and thus combating its isolation. Athienou should also implement dynamic social programmes in cooperation with the academic/ research community of the island in order to provide opportunities to young people in a sustainable future as entrepreneurs of technologically advanced agriculture and agroindustry. Combining the previous sectors with the rich tradition, culture and social cohesion that the town withholds, equal opportunities for the creative sector can be provided.

#### **e) Social Creativity to foster Innovation**

In all three case study towns it has been observed that there is a continuing effort to maintain strong social cohesion with programmes regarding culture, athletics, children, young couples, elderly people, professional groups, etc. During the interviews of this study it has been understood that this cohesion is the foundation for strengthening the local economies in SMSTs, as it creates long-lasting social connections in the community and it facilitates an environment for easy transferal of knowledge and for healthier competition. The study team proposes that except policies boosting social cohesion there must also be room for policies that promote social creativity.

The benefit of having deep social cohesion could be easily transformed in innovation (on all ages and professional groups) by implementing active educational programmes and combining the use of new technologies in the existing social networks. This can be also easily extended to spontaneous transferral of knowledge through long-lasting relationships not only between the population of the town but with interconnecting networks nationwide and abroad. Existing EU programmes are already facilitating exchange of knowledge and twinnings, but the study team proposes that these efforts must be taken on the next level by taking lessons from the latest evolution of social media, where creativity is boosted up by the facilitation of on-going, flexible and spontaneous network connections.

## **f) Territorial Reorganization OR Partnerships**

What seems to be also equally indispensable for the SMSTs over this hard period is the development of partnerships. As territorial reorganization would be almost impossible because of the resources needed, partnerships give a cost effective sustainable alternative.

The conclusions of this study are guiding to two main ways of promoting partnership:

- i. The first is the formation of inter-municipal companies for common provision of services. It has been also understood that if this provision is done by the private sector through tendering procedures it is much more cost effective.
- ii. The second one is joint local actions of public entities and businesses, that will be supporting small start-up businesses, cooperating with universities and the research community, providing solutions regarding tourism, housing, employment, social support, local transport, low carbon infrastructure, etc.

The study team proposes that national and EU funding should be surely disseminated to support such actions. National funding could be indirect and it could be done by reducing the revenue tax of the businesses participating in such partnerships and in return these businesses must provide in return services needed by the local community. EU funding should be direct and provide resources to give awareness to the public and stakeholders on the matter, for the formation of such partnerships and the very early stages of their operation.

This effort could provide some of the needed autonomy to the local authorities. In order to succeed, all levels of actors should be participating in the process. Except the academic & research community, social enterprises and non-governmental organisations should also be an integral part.

## **g) Research and Development**

Regarding this matter it must be noted that unfortunately the share of the GDP of Cyprus devoted to R & D activities continues to be low (0,5%) compared to the average for the member-states of the European Union (2%). Most probably this percentage will become even lower because of the effects of the Cyprus bail-in (March 2013).

The study team acknowledges that Research and Development is maybe the best way to create solid foundations for a sustainable economic and social future, but it argues if R&D is the only way to foster innovation. Undoubtedly ways to increase funding devoted to R&D in Cyprus must be found and in the same time encourage young scientists to engage more actively. It must be highlighted that society in Cyprus is rather extrovert in many other sectors and could become equally extrovert in R&D, thus overcoming the obstacle of a small country.

But as mentioned, the study team believes strongly that innovation can also pop out without the backup of R&D. And this innovation could be very easily fostered by the combined powers of internet and crowdfunding. Successful private-led examples (e.g. Kickstarter, Indiegogo) are showing the way. During the recent period of financial crisis it has been noticed that in Cyprus young people are more and more trying to find ways to innovate in order to overcome their financial deficiency. When one takes into account that the overwhelming majority of them have finished university education, it can be easily understood that this is a very fertile period for innovation. Undeniably these must be also the situation in most of the countries of Europe that are combating the financial crisis.

It is proposed that immediate national and EU efforts must be made to create a platform that will foster innovation through crowdfunding. But this platform shouldn't be based on bureaucratic and time consuming processes. It should be left to evolve as a free and undisturbed connection between the creators and the supporters, thus truly fostering innovation and not smothering it. National governments and EU involvement must focus on the promotion of this platform, the support of the creators and their connection to the entrepreneurial/ industrial world.

SMSTs will benefit mostly by this action because despite the fact that they have a history in innovation, their relatively small size creates significant obstacles to create facilities and environment for R&D development (it has been observed R&D to thrive better in large cities, where higher concentration of scientists and facilities can occur and also more investors can be attracted). A truly democratic EU crowdfunding platform will enable SMSTs to create new job opportunities and new perspectives.

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