

Support to digitalise the handling of insolvency cases in Cyprus

Executive summary of the Project

Technical Support Instrument

Supporting reforms in 27 Member States



INSOLVENCY



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Support to digitalise the handling of insolvency cases in Cyprus

Project Title	Support to digitalise the handling of insolvency cases in Cyprus
Request for Service ID	REFORM/SC2021/019
Beneficiary	Ministry of Energy, Commerce and Industry (MECI), Supreme Court
Supporting Institution	Directorate-General for Structural Reform Support (DG REFORM)
Contractor	KPMG Limited

Context

In May 2015, the personal and corporate insolvency legislative framework in Cyprus, and the regulation of Insolvency Practitioners (IPs) was modernised. The overarching aim of the redefined insolvency regime was to revive the second chance culture, as opposed to bankruptcy and liquidation. The responsibilities of the so-called 'Insolvency Service' were assigned to the Department of Registrar of Companies and Official Receiver (Bankruptcies and Liquidations of Companies Section ("BLCS")). In 2018 an Action Plan was put in place, describing the necessary steps to tackle the impediments within the framework governing insolvency. The implementation of the roadmap led to the establishment of the Department of Insolvency in 2020, formally replacing the BLCS. The modernisation and digitalisation of the insolvency cases is a crucial action from the Action Plan that will also help realise the results of the various initiatives that are impacting and will continue to impact the Department, including the other projects of the Action Plan, the recruitment of new employees within the Department as well as other initiatives aimed at the digitalisation of the government sector.

Similar to the Department, the Cyprus Courts are currently undergoing a digitalisation reform with the recently introduced i-Justice (interim solution), and e-Justice, which will help the modernisation and digitisation of the judicial system in Cyprus.

Objectives

The overarching objective of this Project was to contribute to the automation and digitalisation of the operations of the Department of Insolvency and its interactions with the competent courts and the citizens hence optimising the handling of insolvency proceedings. Considering the digitalisation reforms already undergoing at the Courts, the Project made the necessary provisions for the interconnectivity of the Department's new technology system with e-Justice, ensuring as such the end-to-end digitalisation and modernisation of insolvency cases in Cyprus.

Project Achievements

Detailed analysis of the current operational, legislative and technical framework governing insolvency

01

- The Project provided the Department and the Supreme Court with an in-depth assessment of the Cypriot framework governing insolvency compiled in a report, which was the guiding and reference document in designing the future state of the framework governing insolvency. The aim of this report was to gain a deep understanding of the current status of the framework, assess the current procedures that are followed in insolvency cases, understand the role and involvement of Courts in insolvency proceedings, analyse the DoI and the Courts' use of technology, systems and other tools in their daily operations relating to insolvency cases, shed light on the digitalisation reform of the Cyprus Courts and its impact in handling insolvency cases, and map the current legislation.
- In order to provide the Beneficiaries with a detailed and accurate overview of the current insolvency processes, detailed flowcharts of the workflows between the DoI, the Courts and any other stakeholders that participate in the insolvency processes were prepared. The flowcharts were prepared based on the requirements of the applicable legislation as to how each process should be applied. To capture an understanding that reflects the practices followed today by the relevant actors and identify any deviations/gaps and any other notable highlights, follow up interviews and walkthroughs were conducted with the DoI and court process owners/actors. The findings from the walkthroughs were included in the current state report.



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Project Achievements (cont.)

Definition of the future state of the framework governing insolvency

02

- For the definition of the future state of the framework governing insolvency, best practices relating to the relevant legal, judicial and technical frameworks followed by different jurisdictions responsible for insolvency matters, both insolvency service authorities, as well as competent court authorities, were taken into consideration and compiled in the Benchmarking analysis report. The Benchmarking analysis report provides a snapshot of the insolvency framework in the EU now, including an overview of the efforts the countries included in the analysis are doing to enhance their insolvency framework in order to implement the EU Directive on Restructuring and Insolvency of 20 June 2019 (EU 2019/1023, "Directive"). In addition, the report includes information about the court involvement and interaction in each insolvency process in the respective jurisdictions, an overview of the judicial system, information on any specialised insolvency courts/chambers and an overview of the IT systems and technological tools used by insolvency and court authorities. The report was utilised for the design of the future state and can be further used by the Beneficiaries in reviewing best practices from different countries and gain guidance and practical ideas for the design of new insolvency schemes. In addition, the Beneficiaries may revisit the main considerations which should be examined prior to determining whether the introduction of specialised insolvency court and/or judges in the Republic of Cyprus is appropriate, utilising the analysis of advantages and disadvantages of setting up specialised courts/chambers conducted as part of the report.
- Following the benchmarking analysis, the business objectives to be achieved with the digitalisation of the insolvency framework were defined and co-designed through workshops and online questionnaires with the MECI and Dol employees. The business objectives helped define the future state and guide the creation of the technical specifications for the new system. To further support the design of targeted recommendations, a detailed gap analysis between the current state and the future state was conducted, which can provide further details to the Beneficiaries about the gaps that will ultimately be solved through the introduction of the new Dol IT system.
- To ensure the successful realisation of the business objectives, detailed recommendations were defined. The recommendations focused on defining the future state of the IT system for the Dol, including specific recommendations relating to the drafting of the necessary legislative amendments (e.g. draft articles/provisions) and other actions/measures to support the authorities in implementing the recommendations, defining training and change management requirements to support the desired future state and defining budgetary expectations, taking into consideration previous experience on similar governmental projects. To better equip the authorities in implementing the recommendations and ensure the sustainability and longevity of the project objectives moving forward, an action plan and an implementation roadmap were prepared, containing detailed actions on how to implement the recommendations. Finally, an initial analysis of legislative amendments that may be deemed necessary to ensure the implementation of the recommendations was conducted. The Department can use as guidance the initial analysis of legislative amendments conducted as part of this Project in order to proceed with any required changes and ensure compliance of the digitalisation with the relevant legal framework.

Design of tender documents for the new Dol IT system

03

- One of the fundamental outcomes and achievements of this Project, was the definition of the technical specifications and tender documents to procure the new system for the Dol, which will be complemented by the introduction of the e-Justice system which will digitalise the Cyprus Courts' operations. To elicit the requirements for the Dol's new IT system, several workshops with stakeholders from MECI, Dol and DITS were conducted, followed up with workshops with interested entities as per the system interfacing (i.e. e-Justice project team) and other interested parties (i.e. ICPAC). To further support in procuring the solution, the FICHE document and the new Dol IT system architecture were also prepared and included in the tender documents. The tender documents include all the required information for the interested economic operators regarding the project's background, the system requirements, scope of work (activities), expected timelines and budgetary requirements and can be utilised by the Dol to proceed with the tender (pending quality review by the DITS and Treasury of the Republic of Cyprus).

Development of training methodology, communication strategy and delivery of initial trainings to Dol employees

04

- To engage and raise awareness on the Project and its outcomes which will provide a new digital reality for the Department, training sessions were organised and delivered to Dol employees. The aim of the trainings was to provide an overview of the Project, present the future of the Dol through the digitalisation of its processes, the specific capabilities and the digital mindset required to navigate this new reality, and also act as a catalyst to collect feedback.
- Considering the various initiatives that are impacting and will continue to impact the Department, the reskilling of the Department's employees was taken into consideration and a training methodology and CPD recommendations for the Dol employees were prepared. These can be utilised by CAPA/MECI/Dol, as appropriate, in conducting a training needs analysis, preparing a training plan and organising customised training courses for the Dol employees to achieve growth and development. To help facilitate the kick-off of this activity, an initial suggestion of training interventions for the Dol employees was made, utilising good practices and the upskilling needs of the Department in light of the current and anticipated changes in their operating model.
- An important part in the realisation of the modernisation and the digitalisation of the Dol will be the active engagement of the involved stakeholders in embracing the solution and the new ways of working. To better equip the Dol in engaging the relevant stakeholders, a communication strategy was developed, where communication goals, guiding principles, stakeholder analysis, key messages and initial communication actions were defined. The Department can use the communication strategy to craft additional communication activities to raise awareness among stakeholders and engage them as needed.

Lessons learned

All in all, the following conclusions can be drawn, in relation with key findings and lessons learned:

Critical success factors

- The excellent cooperation with the European Commission and the Beneficiaries (MECI and Supreme Court) and their active involvement was a key factor for the success of the project. They provided guidance to the contractor as needed and were instrumental in engaging the Dol employees, Courts' staff and other relevant stakeholders throughout the project in order to complete the project activities.
- Another critical factor for the success of this project was the active involvement of the Dol employees, the Courts' staff and the Court's e-Justice implementation team, who were always willing to help and participate in the various interviews/meetings/workshops that were conducted across the duration of the project. Through the interviews/meetings/workshops, they were involved in matters that affected them and they provided their insights, concerns and ideas which were taken into consideration for the preparation of deliverables.

Sustainability of project objectives moving forward

- To achieve the Project's objective which is the end-to-end digitalisation of the handling of insolvency cases, it is essential to ensure the smooth collaboration between the digitalisation reform of the Courts (and the soon to be implemented e-Justice system) and the digitalisation of the Dol's operations. The Project Team made the necessary provisions in the design of the tender documents and the technical specifications to ensure the interfacing/connectivity of the Dol's new IT system with the e-Justice system. During the development of the system the selected vendor must comply accordingly and develop a solution that is interconnected with the e-Justice system, ensuring the active engagement and involvement of the e-Justice team and the Courts in general for the correct implementation of this requirement.
- It is crucial to ensure the early and timely engagement of key stakeholders (e.g. Dol employees, IPs) and other stakeholders and government authorities (e.g. Courts, DITS, DMIRD, Registrar, Treasury, etc.) in order to secure the timely implementation of the Dol IT system and the modernisation and digitalisation of the Dol according to the defined roadmap and the Cyprus's National Recovery and Resilience Plan.



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