

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR CYPRUS

**REPORT ON THE INVITATION TO THE PUBLIC
TO COMMENT**

PUBLIC

1. INTRODUCTION

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Cyprus was posted on the EBRD web site in English, Greek and Turkish for 45 calendar days. The public was invited to submit comments on the draft Strategy from 25 February 2015 to 9 April 2015.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country. The start of the review process was also advertised through Facebook and Twitter.

In an effort to gather information and insight for the development of its Strategy for Cyprus, on 6 November 2014, the EBRD organised a consultative meeting with civil society organisations (CSOs) from across the island in the House for Cooperation in the UN Buffer Zone in Nicosia with the objective to discuss current and planned activities of the Bank in the country. 28 participants attended the event from 22 civil society organisations as well as observers respectively from the European Commission, the United Nations Development Programme (UNDP) - Partnership for the Future and UNDP - Action for Cooperation and Trust. The consultative meeting was chaired by the EBRD Head of the Resident Office in Cyprus and attended by the EBRD Manager for Cyprus of the Civil Society Engagement Unit. The consultation with the civil society sector in Cyprus generated a valuable input for the preparation of the EBRD draft Strategy alongside with the feedback received during the dialogue with the authorities and the private sector.

The objective of the Report on the Invitation to the Public to Comment is to summarize key comments received from the general public and civil society stakeholders during the consultation period dedicated to the Bank's Strategy for Cyprus as well as Bank's management responses. The comments received during the public consultation period are reviewed by the Bank's management and reflected in the Strategy as appropriate. However, during the consultation period dedicated to the Strategy for Cyprus no comment was received in written format from civil society organisations or other member of the public. As a consequence, this Report only contains the summary of the consultative meeting with civil society hold on 6 November 2014 in Nicosia during the pre-drafting stage of the Strategy.

2. PUBLIC COMMENTS AND STAFF RESPONSES

No written comment was received from civil society organisations or members of the public during the consultation period on the draft EBRD Strategy for Cyprus.

Summary of EBRD meeting with civil society- 6 November 2014, Nicosia

EBRD approach and principles

The EBRD provided an introduction about its mandate, which is to promote transition towards market economies. The EBRD explained how it carries out its mandate through investments, capacity building assistance and policy dialogue with primary focus on supporting the development of the private sector. The Bank also introduced its major policies and principles for the selection of investment projects, namely sound-banking, transition impact and additionality. Finally, it explained its practices for information disclosure and engagement with civil society.

Structure and purpose of country strategies

EBRD country strategies set the priorities for EBRD activities for the medium-term. The country strategies contain the following sections: a political assessment, analysis of macroeconomic situation and structural reforms as well as assessment of transition challenges and, based on such analysis, the strategic directions for the Bank's activities. Country strategies also describe the Bank's coordination with other international financial institutions, the European Union or other development partners in relevant countries.

EBRD and civil society

The EBRD provides several opportunities for engagement with civil society spanning from information sharing, dialogue, consultation and partnership. The EBRD is not a donor organisation as a consequence it does not provide direct support to civil society organisations for the implementation of projects. However, the EBRD has been piloting a number of initiatives on civil society capacity building related to EBRD projects and initiative. These technical assistance projects, which are implemented in cooperation with civil society organisations, are currently selected on an ad-hoc basis according to topics of strategic importance to the Bank's mandate. Civil society organisations are eligible to become consultants for the Bank in relation to the provision of specific services as advertised on the EBRD's website. Relevant CSOs can also benefit from advisory services provided in the context of the EBRD's support to small business.

Cyprus problem

Civil society participants shared their expectations about the potential for economic development in Cyprus once the political barriers would be overcome. The Bank regards its assistance to private sector development across the island as contributing to improving dialogue and cooperation among communities. However, it does not fund directly peace-building and reconciliation projects.

Privatisation and corporate restructuring

Civil society participants expressed their concern about political interferences in privatisation issues that might lead to the promotion of 'private monopolies'. The Bank mentioned, among others, that enhancing the capacity of the regulators was regarded as a priority to ensure that privatisation processes lead to sustainable

outcomes. The EBRD could provide technical assistance to regulators, though so far no specific assignment was envisaged in Cyprus.

According to some civil society representatives, the Bank's support to privatisation will be positively regarded by the chambers of commerce in Cyprus but challenged by unions due to concerns over labour protection. The Bank explained that in all countries where it operates, it extensively engaged with chambers of commerce on private sector development, and when labour restructuring was considered as part of an investment with a public enterprise, it made sure that the redundancy arrangements had been negotiated properly with stakeholders involved.

Economic diversification

Civil society participants expressed their interest about the EBRD support to specific sectors including high-tech, tourism and urban regeneration. The EBRD indicated that that it would consider commercially viable project for financing in those sectors. It was also noted that private SMEs established during urban regeneration could benefit from potential EBRD SME credit lines but the Bank would not finance urban regeneration as such.

Public Private Partnerships- PPPs

Some civil society participants expressed surprise about the EBRD envisaged support to PPPs considered that the Troika demanded a PPPs moratorium in Cyprus. Civil society also urged the EBRD to involve civil society's perspectives at an early stage of PPPs development. The EBRD indicated that it would consider well-structured PPPs for financing as part of its support for private sector participation in infrastructure (e.g. port terminal and marina operations). Where relevant, the EBRD could consider also providing technical assistance to the authorities on the implementation of PPPs. All EBRD projects are structured to comply with the information disclosure and stakeholder engagement requirements sets forth by the Bank's Environmental and Social Policy (Performance Requirement 10).

Support to SMEs and social entrepreneurship

Civil society participants shared their expectations about the EBRD support to SMEs and social entrepreneurship both in terms of access to loans and advisory services. The EBRD stated that it provided financial support to SMEs through local banks and advisory services by matching consultants with private sector companies. In some countries where the Bank invests, social enterprises have benefitted from services provided under the EBRD Small Business Support.

List of participants:

1. Accept
2. Association for Sustainable Development-IMO
3. Bi-communal Famagusta Initiative
4. Cyprus Center for European and International Affairs-University of Nicosia
5. Cutting Edge
6. Cyprus Community media centre
7. Cyprus research and Innovation Center
8. European Coordination centre
9. Famagusta Chamber of Commerce
10. Famagusta Eco-city Project
11. Federation of Environmental Organisations
12. IHME
13. Mahallae Platform
14. Makkonisos Marina
15. Management Centre
16. NGO Support Centre
17. Peace Research Institute Oslo (PRIO Cyprus)
18. Seeds of Peace
19. Synthesis
20. Technical Centre
21. Transparency International
22. World Vision International

Observers:

23. European Commission
24. UNDP- Partnership for the Future
25. UNDP-Action for Cooperation and Trust
26. USAID