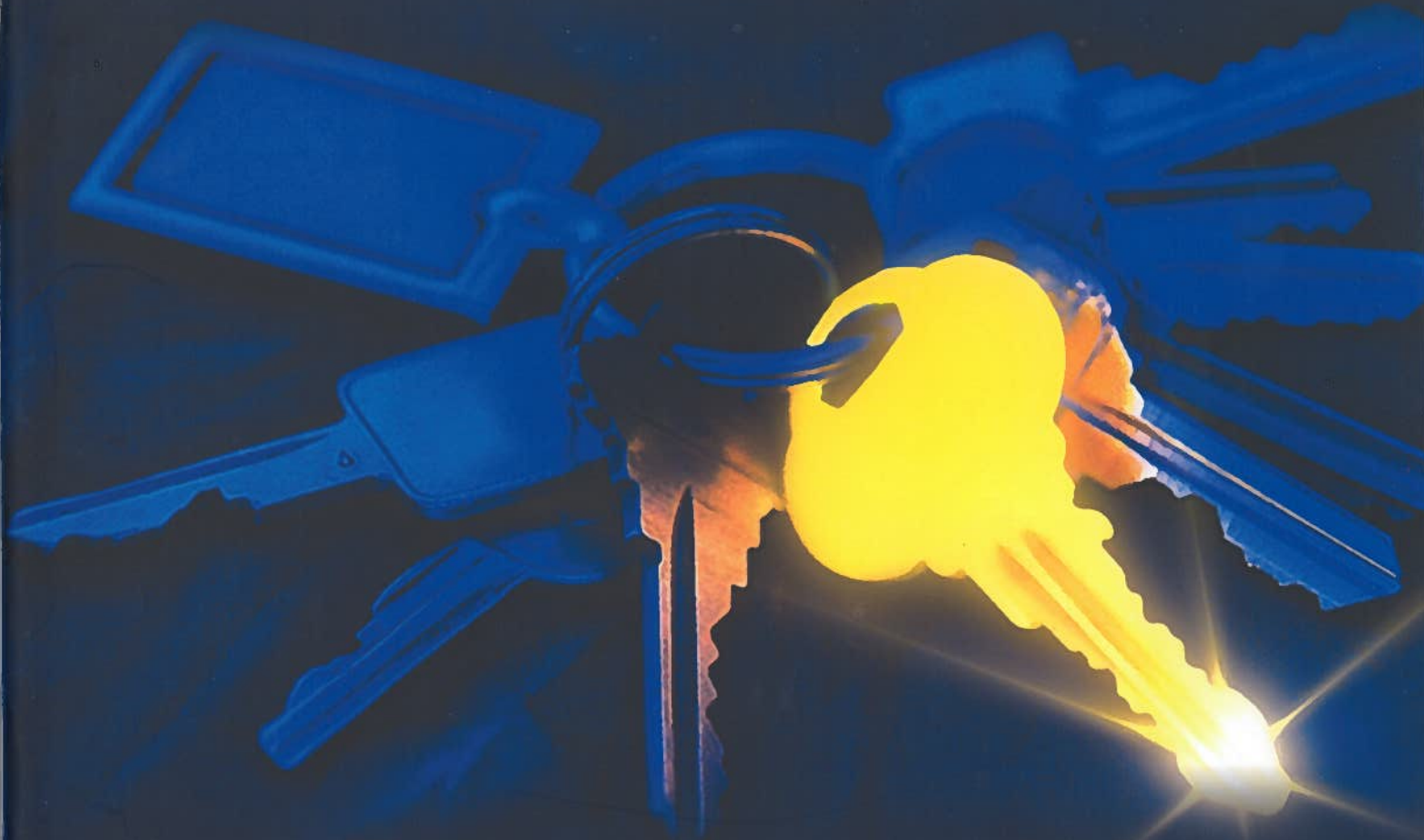


2005-2008

**Economic
Development
and Growth
for Enterprises
(EDGE)**



**Unlocking the
Turkish Cypriot Community's Potential
by Providing Keys to Economic Growth**

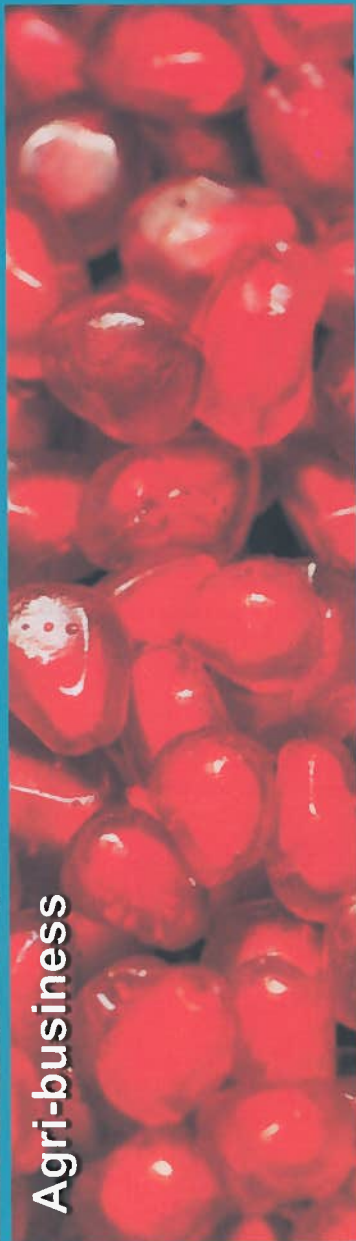


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Enterprise Competitiveness



Agri-business



Community-Based Tourism



Financial Market Stability

The Economic Development and Growth for Enterprises (EDGE) Project

“Unlocking the Turkish Cypriot Community's Potential by Providing Keys to Economic Growth”

In 2005, the United States Agency for International Development (USAID) awarded a three year contract to BearingPoint, Inc. in order to increase private sector development in the Turkish Cypriot community (TCC). The project, called Economic Development and Growth for Enterprises (EDGE) focused on promoting reunification of the island through the enhancement of the Turkish Cypriot economy in order to increase its ability to take advantage of opportunities within a unified Cyprus. The EDGE project was originally designed to improve banking practices, to strengthen business associations and services, and to provide firm-level assistance to promote enterprise competitiveness.

From the project's outset, EDGE benchmarked the TCC's current economic status by conducting a series of assessments that helped it define its strategy. Over the next three years, as this strategy unfolded, the EDGE team used its knowledge of international best practices, its practical approach to problem solving, and its ability to forge strong networks to take advantage of opportunities to promote competitiveness. The results of this effort are included within this brochure and include enhancement of Green Line trade between the Turkish Cypriot and Greek Cypriot communities, the accessing of new markets, enhancement of firm-level competitiveness, strengthening of the key organizations that represent the private sector, and modernization of the banking sector. When taken as a whole, EDGE's strategy contributed to an overall

increase in the TCC's competitiveness through the creation of a sustainable model for economic growth, as well as the changing of the business community's mindset.

During the EDGE project's implementation, BearingPoint learned a number of lessons that benefit its efforts today, as the project enters a second three-year phase. These lessons largely came from the EDGE team's ability to challenge existing paradigms, provide high quality technical assistance, and engage the local business community in creating a practical and sustainable approach to economic development. The project's legacy is the empowerment of Turkish Cypriots to face the challenges posed by their unique economic circumstances and their ability to take full advantage of the benefits of reunification. With this in mind, this brochure is less a testament to EDGE than to the Turkish Cypriots themselves, who maximized the assistance they received through the project. While EDGE provided the keys to economic growth, it was the Turkish Cypriots themselves that have unlocked the door to economic progress.

The logo for the EDGE project, featuring the word "EDGE" in a stylized, bold, serif font. The letters are gold with a dark outline, and the "E"s are particularly prominent. The logo is set against a white background with a gold border.

Economic Development and Growth for Enterprises

EDGE Project Overview

USAID initially designed the enterprise competitiveness portion of the EDGE project to be transaction-oriented – assisting TCC enterprises to become more competitive in identifying market opportunities and concluding specific trade transactions both internationally and with the Greek Cypriot community (GCC). Consequently, the EDGE team created a business development services center – branded as the 'KOBİ Center' (KOBİ is the Turkish translation for small and medium-sized enterprises) – to provide firm-level assistance to qualified enterprises, primarily in targeted sectors such as light manufacturing, agri-business, banking and tourism. As the project continued, however, it became apparent that this direct enterprise assistance could not reach a critical number of enterprises to create a significant impact on improving overall TCC competitiveness. As a result, EDGE project assistance evolved to focus on building the capacities to deliver services to enterprises through chambers of commerce and business associations.

By the project's completion in July 2008, EDGE had made significant progress in helping the Turkish Cypriot Chamber of Commerce (TCCC), the Cyprus Turkish Chamber of Industry (CTCI), and other chambers and associations to begin the delivery of a range of sustainable professional services to members. These programs focused on building the business community's capacity to meet international standards in production, marketing, distribution and other functions essential to creating competitiveness. To improve competitiveness in agriculture, EDGE introduced producers to crops with growing international demand as an alternative to those that require high water usage and have relatively low profit margins due to increasing global competition. EDGE also introduced TCC villages to the economic opportunities available by forming

community partnerships to promote rural and eco-tourism. At the same time, the EDGE project strengthened bi-communal interaction by utilizing business transactions and Green Line trade as a common motivator for promoting cooperation and mutual understanding between the communities.

To build stronger financial markets supporting enterprise growth, the EDGE project forged a partnership with the Turkish Cypriot Banks Association (TCBA) to build sustainable capacity to design and deliver international-quality, locally produced training courses to improve the professional credentials of banking staff. The project also promoted improved processes, systems and capacities for bank oversight and began to promote international and bi-communal cooperation to reduce opportunities for money laundering on the island.

Key Successes and Results

The EDGE project generated a number of first-time experiences for TCC counterparts and accomplished the following key achievements:

- Facilitated the development and implementation of **joint programs and cooperation between the TCC and the GCC chambers of commerce** and their members, demonstrating that business interests can overcome political obstacles.
 - Initiated **capacity building processes within partner chambers and business associations** that led to implementation of grassroots public policy dialogue programs that engaged a broad cross-section of the private sector.
 - Facilitated the development of a **TCC brand for exhibiting in international trade exhibitions**, creating a market identity for TCC products and exposing TCC exhibitors to competitive market realities.
 - Facilitated **Firm Level Assistance (FLA) transactions with 28 small and medium-sized enterprise clients**. More than 80 trade linkages were developed between these firms and new partners.
 - Piloted **trade transactions in citrus and contractual growing agreements between TCC growers and GCC buyers for potatoes across the Green Line**, documenting procedures for future replication and eliminating myths regarding regulations and red-tape.
 - Introduced **alternative agricultural crops** by promoting the cultivation of pomegranates, capers, cactus fruit, passion fruit, salicornia and others with rapidly growing international markets that are better aligned with Cyprus' ecological environment.
- Built the capacity of TCC chambers and business associations to become **sustainable promoters of private sector development by facilitating the development of fee-based business development services** and other programs as part of our business association development methodology.
 - Developed and implemented a model for **sustainable, rural economic development through community-based, eco-tourism**, empowering local communities and bypassing political sensitivities.
 - Created a **model for ongoing local development and delivery of high-quality training** as a foundation for a sustainable bank training institute that has been adopted for improving standards in the dairy sector.
 - Stimulated the **dawning of a paradigm shift in TCC attitudes** toward economic empowerment and competitive market behavior and away from a culture of subsidies.



Enterprise Competitiveness

• Dialogue, Cooperation, and Trade Over the Green Line

At the launch of the EDGE project in 2005, trade across the Green Line constituted only a trickle of transactions. Most were consumer transactions for the purchase of retail goods. Businesses from both communities eschewed open trade for political reasons, citing that customer knowledge of bi-communal relationships would negatively impact their businesses. Those that did trade across the

Green Line encountered barriers imposed by unclear regulations, uncooperative customs and inspection regimes, and other obstacles that discouraged trade.

TCC participation in international trade was also economically, logistically and psychologically constrained. For the most part, TCC businesses

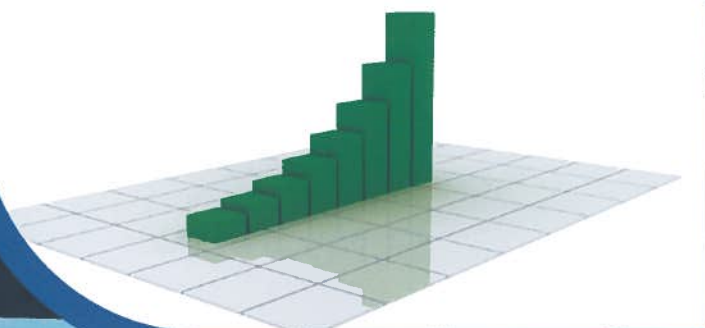
Results

- Facilitated the conduct of **15 regularly scheduled Roundtable meetings between the TCC and the GCC chambers of commerce and industry** to address mutual barriers to Green Line trade and to stimulate greater interaction between the TCC and GCC business communities.
- Assisted the TCC and GCC chambers of commerce and industry in launching a web-based **network (www.cpnnet.net) for linking buyers and sellers from the TCC and the GCC** and conducted sector-based, face-to-face networking opportunities for the two communities.
- Facilitated **Firm Level Assistance (FLA) transactions with 13 small manufacturing clients totaling more than \$431,000** through the end of the project period. More than **50 trade linkages were developed** between these firms and new partners.*
- Prompted **participation of TCC companies in international trade exhibitions**, exposing TCC exhibitors to competitive market realities and the need to meet international standards.
- Facilitated the creation of a **TCC brand for exhibiting in trade exhibitions**, to promote a market identity for TCC products.
- Developed the capacity of the Cyprus Turkish Chamber of Industry to **improve the exhibition skills of TCC exporters as a sustainable, fee-based service to enterprises**.
- Stimulated a **growing consensus of the need to pay for business planning and consulting services** for firms seeking long-term economic growth and success.
- Launched programs for three TCC business associations to **improve business planning and stimulate greater access to finance** for enterprises.
- Improved the professional capacities of the two TCC chambers in planning, governance, management, service delivery, and advocacy to **promote TCC competitiveness and build sustainable strategies** for serving the private sector.
- Piloted **trade transactions in citrus and contractual growing agreements between TCC growers and GCC buyers for potatoes across the Green Line**, documenting procedures for future replication and eliminating myths regarding regulations and red-tape.

2005
Aug

EDGE Project
Launched

* This figure reflects only Firm Level Assistance (FLA) and only those clients that reported the amount of their transactions. EDGE believes that this amount would be significantly higher if all the clients reported their transaction amounts.



traded only with Turkey, which guaranteed sales, but did so at below market rates. It was Turkish distributors who benefited from any transshipment of TCC goods to export markets although transportation costs and quality concerns severely limited these transactions. Because few TCC firms attended international trade exhibitions, they lacked international buyer networks and knowledge of buyer specifications for quality, safety and other key product characteristics. The TCCC, CTCI and other business associations survived only on revenues from member dues but provided few member services despite mandatory membership. The TCC chambers had little interaction with the Cyprus Chamber of Commerce and Industry (CCCI) despite mutual roles in monitoring and supporting Green Line trade.

Against this background, the EDGE project made great strides in overcoming barriers resulting from interpretation of regulations, constraints in knowledge, capacity and trust among traders, and obstacles imposed by long-fostered attitudes and behaviors on both sides of the Green Line.

“When we restructured our organization and hired additional management staff based on EDGE’s recommendations (through its workflow process analysis), it was the best advised step in our organization’s history”.

Hasan Ince, Former President,
Turkish Cypriot Chamber of Commerce

Key Milestones in Enterprise Competitiveness

Dec	2006	Jan	Feb	Apr	Jun	Jul
More than 150 individual company reviews completed		“EDGE” and “KOBİ Center” brands developed and launched	KOBİ took two dairy producers to an international exhibition as visitors – Gulfood, Dubai, UAE Famagusta Shipyard the first walk-in client with request for business plan preparation and firm level assistance	First Commerce Roundtable meeting organized	First CTCI/KOBİ Center participation at an international trade fair – Iraqi Expo in Turkey First CTCI participation at the Cyprus International Fair with KOBİ Center assistance	Green Line brochure documenting trade procedures distributed



Enterprise Competitiveness

● Commerce Roundtable Meetings

Divided by the Green Line, the two business communities lacked a forum in which to identify, discuss and tackle issues related to trade and interaction. To fill this gap and begin to resolve practical obstacles to trade, EDGE initiated regularly scheduled meetings among main chambers. To facilitate discussion, EDGE provided statistical analyses, bi-communal enterprise survey results, maps of product-specific trade regulations, and other studies. By July, 2008, the EDGE project had facilitated 15 Commerce Roundtable meetings that addressed mutual barriers to Green Line trade and stimulated greater interaction between the Turkish Cypriot and Greek Cypriot business communities.

● Cyprus Producers Network (CPN) and Business-to-Business (B2B) Meetings

To promote bi-communal buyer-supplier linkages, the EDGE project assisted the CTCI, the TCCC, and the CCCI in the implementation of a broad initiative to promote Green Line trade. This initiative, called the Cyprus Producers Network (CPN), launched a series of initiatives to promote understanding, harmony, and trade between the GCC and TCC. It included face-to-face networking opportunities for buyers and sellers in five sectors with high trade potential – food and beverage, furniture, building materials, paper/plastics/chemicals, and information and communications technology (ICT). Nearly 170 individuals representing 125 enterprises from the two communities participated in these meetings. The CPN project also included the creation of a web-based portal to facilitate dialogue, provide information, and promote trade opportunities. This portal is being heavily promoted by the participating organizations as a mechanism for productive cooperation between the GC and TC business communities.

● Firm-Level Assistance

Initially, the EDGE project created the KOBİ Center as a mechanism through which to deliver firm-level assistance to enterprises. To identify clients, the project interviewed and ranked approximately 150 enterprises on criteria such as export readiness, potential domestic and international sales, owner receptiveness to change, and other factors. In the end, the KOBİ Center worked extensively with 13 TCC enterprises to develop GCC market entry strategies, improve international trade capacity and conclude trade transactions worth nearly \$500,000. In reality, the assistance generated substantially greater revenues for client firms, but businesses were unwilling to share such information publicly. The KOBİ Center's efforts also generated more than 50 new trade linkages for these clients. To thoroughly understand the types of barriers that could limit firm-level incentives for international trade, the EDGE project documented all the entitlements and subsidies available to producers. This provided information valuable in formulating strategies to improve enterprise and sector competitiveness.

2007
Feb

First CTCI exhibition booth at Gulfood Dubai International exhibition under a geographically-focused brand

TCC exhibitor reaches a deal at Gulfood Dubai to sell halloumi cheese to Qatar and UAE



After 2006, the EDGE project moved away from providing direct firm-level assistance and focused on building the capacities of chambers and business associations to provide these services. The KOBİ Center's activities laid the groundwork for promoting the sustainability of these services by stimulating a growing consensus among TCC enterprises of the need to pay for business planning and consulting services if they want to experience long-term economic growth.



“Seeing is believing! EDGE provided a way for our members to attend international trade exhibitions and it changed their perspective in numerous ways”.

**Mustafa Gunduz,
Secretary General, Cyprus Turkish Chamber of Industry**

Key Milestones in Enterprise Competitiveness (cont.)

Mar

The TCCC, the CTCI, and the CCCI launched Cyprus Producers Network (CPN) with EDGE's assistance

Apr

KOBİ Center changed strategic direction to focus on association/chamber development

Jul

First “walk-in” client willing to pay for business plan to conclude international franchise agreement

Sep

EDGE launched chambers' organization development initiative

Nov

Second CTCI international exhibition booth – Big 5 Construction Fair, Dubai

TCC Big 5 exhibitor stroke a deal to sell aluminum doors to Qatar and Dubai

Dec

First potato trade under “contractual growing” terms established between TC and GC firms

EDGE

Economic Development and Growth for Enterprises

Enterprise Competitiveness

• TCC Participation in Trade Exhibitions

Since TCC producers have had limited access to international buyers and limited exposure to international quality standards, they needed access to events where they could interact with counterparts from around the world. With EDGE's assistance, the CTCI began to promote participation in targeted processed food and beverage, fresh fruit and vegetables, construction materials, and private label manufacturing exhibitions. It created an exhibition booth to host all TCC exhibitors and created a market identity based on geography. Since then, the CTCI has become highly competent in helping enterprises prepare for and participate in exhibitions. By spring 2008, the CTCI assisted 24 companies exhibit at 5 international trade exhibitions. Resulting revenue data was difficult to capture but nearly all firms had generated sales as a result of participation.

• Green Line Pilot Transactions

The Green Line Regulation (GLR) was established not only to enable TCC enterprises to sell goods to GCC buyers but also to provide TCC access to lucrative EU markets by exporting through the GCC port in Limassol. Consequently, the EDGE team sought to test the efficacy of the regulation by promoting pilot export transactions for two TCC products deemed to have international demand – citrus and potatoes. Initially, the EDGE team encountered bureaucratic barriers to concluding the pilot transactions despite the export eligibility of these products according to GLR. Finally, in late 2007 and early 2008, EDGE was able to conclude potato and potato-seed transactions between TCC and GCC buyers/suppliers as well as export citrus across the Green Line, through Larnaca airport, for participation in the 2008 FruitLogistica exhibition in Berlin. In each instance, EDGE documented the procedures and requirements for concluding these transactions and widely distributed them to enable future replication for producers and traders.

• Chamber and Association Capacity-Building

To build permanent capacity in support of TCC enterprise competitiveness, the EDGE project increasingly began to concentrate its resources on strengthening chambers and the business associations serving key business sectors. The EDGE project helped to build the professional capacities of associations in planning, governance, management, service delivery, and advocacy to promote competitiveness and build sustainable strategies for serving the private sector. Assistance to the CTCI helped to develop its capacity to improve the exhibition skills of member companies as a sustainable, fee-based service. As the EDGE project moves to its next stage, it has launched a joint program between TCCC and CTCI to help enterprises create viable business plans in an effort to obtain greater access to bank financing and grant funding from donor organizations. EDGE also provided assistance to associations serving the tourism and information technology sectors. Additionally, the project is currently working with the Turkish Cypriot Chamber of Agricultural Engineers (TCCA) to build its capacity to provide ongoing agricultural extension services.

2008

Feb

First official Green Line Citrus Trade from TCC to GCC completed

First international fresh fruit and vegetable fair attended by CTCI under a geographically-focused brand- FruitLogistica



EDGE's technical assistance to chambers and business associations focused on an international best practices developmental methodology that BearingPoint has used extensively around the world. Using this methodology, organizations made significant strides toward sustainability through the development of appropriate governance, the creation of strategic programs and services, and the establishment of communications processes, as well as through focus on public policy advocacy. The EDGE project also developed a comprehensive Business Association Guidebook for distribution to its partner organizations. The guidebook focused on essential development areas within chambers and business associations, linking them to international best practices through BearingPoint's organizational development methodology.



“Working with EDGE has broadened my horizons”.

Kudret Balci, Owner, Kantara Honey

Key Milestones in Enterprise Competitiveness (cont.)

Mar

Goods worth 55,000 Euros are sold to a customer in Algeria, by a Big 5 Construction exhibit participant

Apr

First CPN B2B Meetings held between TC and GC buyers/sellers

May

CTCI and TCCC resolved to expand professional staff based on EDGE's recommendations

First time the boards of directors of the CTCI, the TCCC, and the CCCI met to discuss GL trade

Jun

Results of TCC/GCC Green Line Trade Survey tabulated and publicized



Agri-business

While in 2005 agri-business accounted for only about 10 percent of the TCC's GDP based on EDGE's sector studies, it has significant potential for growth if pursued more strategically and with an eye toward achieving greater competitiveness. Although citrus fruit has long been Cyprus' predominant export crop, decreasing rainfall and contamination of coastal aquifers by sea water has reduced the quality and volume of TCC citrus yields in recent years. International oversupply of citrus has reduced local market prices. At the same time, the TCC's lack of value-adding processing facilities, its non-adherence to international production standards and its lack of access to international markets has limited demand for TCC citrus to the point that much of the fruit remains uncultivated and unharvested year after year. Further, shipment costs render TCC agricultural

commodities generally uncompetitive internationally while agricultural subsidies for citrus, potatoes, milk and other cash crops distort incentives for investment in improving cultivation and production processes.

The opening of the Green Line offered the opportunity for EDGE to isolate the causes of the TCC's lack of competitiveness in agricultural products and develop recommendations and strategies to remove obstacles to production and trade. As part of its overall strategy to improve the agri-business sector, EDGE introduced a number of alternative crops that both utilize less water and can better withstand Cyprus' multi-year droughts. This initiative is one of the EDGE project's significant achievements, as the planting of alternative crops created grower interest groups that are now sustainable on their

Results

- Launched three alternative crops programs to **utilize arid land and create additional income for growers**. Anticipated revenues from pomegranates alone in 2009 will be **\$410,000 growing to \$1.2 million in 2010**.
- Facilitated **Firm Level Assistance (FLA) and Green Line trade transactions with 8 clients totaling more than \$240,000** through the end of the project period. More than **30 trade linkages were developed** between these firms and new partners.*
- Introduced **GlobalGAP and other international quality standards** to TCC growers and facilitated the formation of a potato growers group to **pursue GlobalGAP certification**. This will be the first group in the TCC to gain international quality standards certification.
- Identified and built the capacity of the Turkish Cypriot Chamber of Agricultural Engineers (TCCAEE) to **sustain EDGE's technical assistance to the agriculture sector** through creation of an Agriculture Extension Service.
- Promoted knowledge transfer to the agriculture sector through the **creation of an internship program** through TCCAEE. The **first two interns were trained** in alternative crop management, GlobalGAP, and business development services.
- Facilitated the trade of **citrus and potatoes across the Green Line**, documenting procedures for future replication and eliminating myths regarding regulations and red-tape.
- Published a quarterly Agri-News newsletter to **inform agriculture sector stakeholders about emerging trends in the industry**.

2006
Feb-Aug

Researched, developed and presented Pomegranate strategy to interested growers



own. In addition, it introduced GlobalGAP and other international quality certifications to the TCC, as well as generated new revenue potential for growers. The latter was realized due to the fact that these products enjoy rapidly expanding international markets with higher profit margins than the level or declining demand and narrow margins for citrus and other commodities. Beyond cultivations and trade of these crops, EDGE's future phase will assess the benefits of cooperative investment in processing facilities to generate value-added income. It also supports sustainable assistance to producers by building local institutional capacity to develop and deliver agricultural extension services.



Key Milestones in Agri-business

Sep	Oct	Dec	2007	Jan	Feb-Mar	Apr-Jun
17 growers join the pomegranate pilot project	Trained Pomegranate growers on financial management and orchard establishment	Selected and trained program coordinator while MADAG trained advisory board for dairy training		Selected 15 veterinarians as core dairy sector trainers	Pilot orchards of over 18,500 pomegranate trees planted	Provided training in proper use of irrigation systems for Pomegranate growers
Launched dairy sector development program with UNDP-ACT and MADAG	Conducted a training needs assessment and developed training implementation strategy for dairy training				Researched and presented HACCP certification options to dairy companies	

Agri-business

The EDGE project's multifaceted strategy for improving agricultural and agri-business competitiveness resulted in the following achievements:

- **Pomegranate Program**

International sales of pomegranate juice have skyrocketed since the identification and global marketing of its health benefits. While pomegranate trees do require irrigation in Cyprus, they can endure greater water salination than citrus trees and require less water overall. Consequently, EDGE's Agri-business team introduced the crop to farmers, which resulted in the investment by 22 growers in the planting of more than 22,000 pomegranate trees. EDGE provided ongoing orchard management training and field assistance to growers in order to improve the quality of their harvests. This led to the sale of more than 12 tons of pomegranates on the local market in 2008. EDGE conservatively estimates that the 2009 harvest will yield more than \$400,000 in revenue and could reach \$1.5 million by 2010. EDGE assisted pilot producers in obtaining donor grants for installing irrigation systems. Rising profit margins will likely induce other farmers to invest in pomegranate cultivation. Research indicates that the demand for pomegranates will continue to rise and due to EDGE's efforts, growers will be uniquely positioned to take advantage of this market potential.

- **Other Alternative Crops**

The EDGE Agri-business team also researched and initiated pilot programs with growers for capers and cactus fruit, both indigenous to the arid Mediterranean region and demonstrating increasing global demand. Based on lessons learned from the pomegranate program, EDGE introduced the caper program, recruited and trained growers, and assisted in the planting of seedlings all within a three month period. Net income from the capers initiative is estimated at more than \$6,000 per donum. In addition, ten growers planted approximately ten donums each of cactus cladodes that will produce an estimated \$160,000 annually by 2010. With EDGE's continued technical assistance, growers intend to introduce Salicornia and Passion Fruit as alternative crops by the end of 2009.

- **Producer and Firm-Level Assistance**

As discussed previously, EDGE helped to intermediate Green Line trade transactions for citrus and potatoes as well as introduced and trained dairy, citrus and other food producers to participate for the first time in international trade exhibitions, in conjunction with CTCI. In addition, KOBİ Center consultants provided firm-level assistance to other producers including Kantara Honey, Cyprus Carob Industries and producers of a type of cheese for which Cyprus is specifically known. EDGE transaction assistance with eight clients totaled more than \$250,000. EDGE assisted in creating more than 30 trade linkages between these firms and new partners, many of which resulted in first-time transactions.

- **Sustainability and Agricultural Extension**

A key to sustaining the momentum of the EDGE project in agriculture and agri-business was identifying an institutional partner with the capacity to provide support to the sector well into the future. Lacking a history of grass-roots agricultural cooperatives, the TCC agricultural sector initially offered few obvious choices. Nevertheless, the EDGE project's quarterly Agri-News newsletter helped promote widespread awareness of the

2007 (cont.)

May

Conducted a Training of Trainers (TOT) program for selected dairy trainers



program and prompted the TCCAЕ initially to seek assistance in proving training to its 250 members on the application of GlobalGAP, a voluntary certification program in international standards. Consequently, EDGE partnered with TCCAЕ to deliver a range of seminars introducing TCC producers to the benefits of GlobalGAP certification, with 14 potato growers indicating serious interest in pursuing certification by the end of the EDGE program.

The need for a sustainable agriculture extension service became clear as EDGE received more than 100 inquiries for agricultural assistance over a two-year period. It worked with more than 250 agricultural clients to improve field maintenance, introduce environmentally sound fertilizers and pesticides, improve irrigation systems, increase crop yields and farm income, and expand trade both internationally and within Cyprus.

“The EDGE Agri-business team was always there when we had a problem in our fields, or even when we had a question. They provided excellent technical information and know-how to the growers so that we could establish and maintain our orchards.”

Cactus Fruit Grower

“The EDGE project, expanded my horizons and enabled me to improve my business. With its help I am now looking at my business from a different angle than I used to before.”

Kudret Balci, Owner, Kantara Honey

“The EDGE Agri-business team has accomplished a first in Cyprus by providing consulting services to the Turkish Cypriot growers on both production techniques and marketing. Previous efforts included trial-error methods without any technical assistance provided. EDGE taught us how to do it right.”

Pomegranate Grower

Key Milestones in Agri-business (cont.)

Jul	Aug	Sep	Oct	Nov	Dec
Presented Phase II to interested Pomegranate Growers and conducted training to Phase I growers on fertilizer application	Selected Animal Health and Hygiene as first course for development for dairy training	Established an interest group of growers for capers	5 additional growers joined Phase II of the pomegranate project	Conducted training for both Phase I and Phase II Pomegranate growers	3,700 Pomegranate tree planted in Phase II program
Identified additional alternative crops and published / distributed information – Capers, Cactus Fruit Salicornia and Passion Fruit		Completed delivery of 6 training workshops to help trainers to prepare course materials for dairy training	Conducted first Hygiene and Animal training		Promoted Capers as an alternative crop to interested growers and obtained grower commitment



Agri-business

• Assistance to the Dairy Sector

If it adapts to current and changing market conditions, the dairy sector could be a source of growth. Local milk production and sales are an important source of income to a number of Turkish Cypriots. At the same time, international brand awareness of Cyprus cheese provides an entrée for TCC dairies to access new clients and further penetrate existing markets. Yet, a lack of phytosanitary standards and poor economies of scale have eroded the domestic milk market while cheese producers lack the international networks and standards to compete.

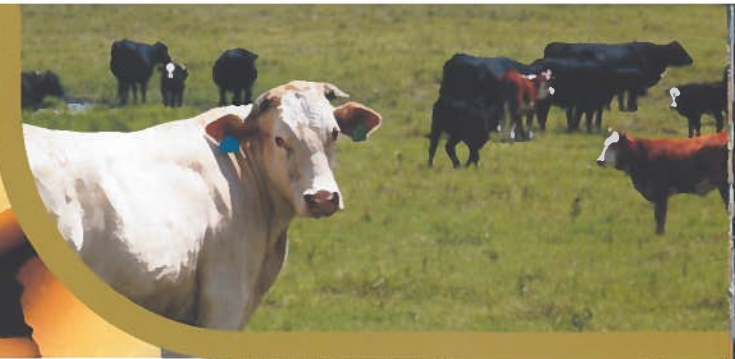


EDGE formulated its strategy to provide assistance to the dairy sector based on an extensive study of the Cyprus dairy sector concluded by UNDP at the time of the EDGE project launch. The study determined that TCC dairy farmers must improve the quality of raw milk produced by introducing changes to animal health and hygiene and milking processes. Cold storage must be introduced throughout the value chain to retain quality, while payment to farmers must require them to separate grades and sources of milk. Without such investment in change, dairies would be unable to produce higher-value dairy products and would continue to lose domestic market share. EDGE addressed these challenges by leveraging its resources through collaboration with the UNDP's Action for Cooperation and Trust (ACT) program and the Madison Advisory Group (MADAG), both of which wanted to provide sector assistance. Through this initiative, EDGE trained fifteen veterinarians to design and deliver training courses to farmers. Over the next two years, more than 100 farmers received practical training on topics that were salient to the dairy industry. This increased the farmers' capacity to improve the quality of their milk production while at the same time putting in place an ongoing technical support mechanism.

2008
Jan

14 growers join capers pilot program

Initiated promotion of Cactus Fruit as an alternative crop and met with interested growers



Key Milestones in Agri-business (cont.)

Mar

Conducted consulting and training on Capers field design and maintenance, and capers planting and cultivation

Apr-May

Completed field visits for intersted Cactus Fruit growers, 19 growers join cactus fruit pilot program and 13 participate in study tour to Israel

May

Completed delivery of 6 Hygiene and Animal Training courses to ~100 dairy farmers

Provided the final TOT to Animal Feeding and Rationing dairy trainers

16 Cactus fruit pilot producers planting 3,800 locally procured fruit cladodes

Community-Based Economic Development through Eco-Tourism

Tourism is an important contributor to the Turkish Cypriot economy. The natural beauty, rich cultural and historical heritage, expanses of unspoiled shoreline and accommodating weather are tremendous assets that the TCC can further cultivate to enhance income and standards of living. But a legacy of poor planning, underinvestment in infrastructure, little sense of environmental stewardship and policies that promote short-term gain over long-term sustainability saddled the TCC with an under-performing mass tourism product. This contradicts worldwide trends in tourist preferences away from sun, sea and sand to exotic, entertaining and educational destinations marketed through targeted management strategies.

Based on its assessment of the tourism sector, EDGE pursued a practical strategy to create a replicable model for introducing community-based, niche tourism to TCC stakeholders. The EDGE team identified Büyükkonuk – Komi Kebir as an appropriate pilot village whose local assets included its location as the gateway to the unique ecology of the Karpaz region, the presence of historical architecture to recreate a quaint, Cypriot village of the past, local leadership with sufficient vision to champion the pursuit of a destination development strategy and widespread community support.

Working with the village, the EDGE team implemented a three-phase approach to building a destination management program – create

Results

- Facilitated the development and implementation of **cooperation between the four primary associations that serve the tourism sector**, demonstrating that collaboration within the sector can lead to success in public policy advocacy.
- Initiated **capacity building processes within business associations in the tourism sector** that led to the creation of heightened cooperation, public policy advocacy dialogue, and the creation of promotional collateral for use at international exhibitions.
- Provided **Firm Level Assistance (FLA) to 7 tourism establishments** in order to improve quality and service.
- Developed and implemented a model for **sustainable, rural economic development through community-based, eco-tourism**, empowering local communities and bypassing political sensitivities.
- Heightened awareness for the handicraft and other tourism-related sectors by **providing assistance in product development, marketing and quality control**.

2005

Jul

Büyükkonuk-
Komi Kebir joins
Global Eco-
Tourism Network
(GEN)



community awareness of opportunities, develop a viable 'product,' and implement an ongoing promotion strategy. Consequently, EDGE created a community development model that can empower small villages to create economic opportunities for themselves by using their natural and cultural assets to attract tourists including foreigners already drawn to Cyprus for other reasons. While it will take several years for the Büyükkonuk – Komi Kebir eco-tourism initiative to become sustainable, the EDGE team initiated steps to promote its self-sufficiency while creating a mechanism for promoting bi-communal participation and cooperation within the tourism sector.

more than 200 local leaders on implementing responsible, special-interest tourism, marketing, small-business management and basic accounting. These activities helped to foster a widespread community belief in their destination management concept and the ability to succeed in its implementation.

The following outlines some of the key successes of the Büyükkonuk-Komi Kebir eco-tourism program and other initiatives in the tourism sector:

● **Creating Awareness through Public-Private Partnerships and Dialogue**

The EDGE Tourism team began working with Büyükkonuk – Komi Kebir by creating a village steering committee to provide leadership to the community and receive initial training in destination development. Committee members observed international practices in community-based tourism through study tours to Paphos and Crete. The Tourism team subsequently delivered training to



Key Milestones in Eco-Tourism Development

2006

May

Jul

Aug

Sep

Büyükkonuk-Komi Kebir selected as model village for eco-tourism development

Büyükkonuk Eco-Tourism Committee formed

Initial Eco-Tourism strategy developed

Initial Eco-Tourism work-plan developed

Eco-Tourism study tour to B&Bs in TCC to assess market

Eco-Tourism study tour to Crete

Community-Based Economic Development through Eco-Tourism

- **Building the Eco-Tourism 'Product'**

To create a viable tourism product, the EDGE Tourism team assisted the committee in the generation of a number of activities to support the development of Buyukkonuk-Komi Kebir's tourism potential. These included the facilitation of a collaborative arrangement with the USAID-funded Supporting Activities that Value the Environment (SAVE) project to renovate a historic olive mill in the village center. Additionally, EDGE assisted the committee in creating a network of nine nature trails marked with appropriate international signage. EDGE also helped residents to improve the quality of their food by pursuing the growth of organic products to increase local incomes. The project encouraged residents to improve their capacities to promote traditional practices in cooking, baking bread, making handicrafts and other traditional tasks, of which many of the residents were unfamiliar but which could heighten the historical authenticity of the tourist experience.

- **Promoting Büyükkonuk-Komi Kebir as a Tourist Destination**

A large part of the village's branding and promotion strategy was to host periodic events to attract Cypriot and international visitors. After providing training in event management, the EDGE project helped the committee organize its first event, which was the village's selection of the Büyükkonuk-Komi Kebir logo. In cooperation with the local Photographers Association, the committee launched a bi-communal program to photograph the village in all four seasons. Additionally, EDGE helped the village to coordinate and market two day-long festivals. Eco-Day in October 2007 attracted 1,100 visitors and featured 14 food and handicraft vendors who earned an average profit of \$300. In May 2008, the village launched the 'Once Upon a Time' festival to mark the opening of the renovated olive mill. This festival attracted more than 2,500 visitors, with 29 vendors earning roughly the same profit as at the prior event, providing an important lesson in competition to village micro-businesses. The EDGE project also helped the village to design and launch a web site that is being expanded by the committee.



2007

Apr

Photographic exhibition in Büyükkonuk-Komi Kebir launched

Conducted 'logo launch' event in Büyükkonuk-Komi Kebir



● **Capacity-Building of Tourism Associations**

The EDGE project also helped build the foundation for cooperation among the business associations representing restaurateurs, travel agents and tour guides to promote mutually beneficial public dialogue and advocacy efforts as well as the creation of promotional collateral for use at exhibitions and the creation of a tourism promotion board. Ongoing capacity building for business associations that served the tourism sector laid the foundation for the development of public policy initiatives, increased investment, and the establishment of the community-based tourism methodology as a strategy for future development.



Key Milestones in Eco-Tourism Development (cont.)

Jul

Oct

2008

Jan

May

Eco-Tourism study tour to Paphos

Büyükkonuk –Komi Kebir submitted application as candidate host for GEN assembly in 2010

First 'Eco Day' event in Büyükkonuk-Komi Kebir featuring traditional cooking, handicrafts and cultural activities

Büyükkonuk Eco-tourism Association formed

Installed nature trail signage along 4.5 km. in Büyükkonuk –Komi Kebir Regional Trail Network

Launched second promotional event – Once Upon a Time – featuring renovated olive oil mill and other activities

Financial Market Stability & Capacity Development

In all economies, the financial sector plays a pivotal role in stimulating private sector growth and economic competitiveness. Years of relative isolation, however, have had a substantial impact on the development of the financial sector in the TCC and its ability to support trade, investment and economic expansion. Public banks support larger enterprises, but often lend in a non-transparent manner and at subsidized rates. Private banks do lend to TCC small and medium-sized enterprises although underdeveloped risk management systems limit significant extension of credit. While deposit and lending rates have recovered from a 2000 banking crisis, financial intermediation in the TCC needs to improve significantly as loans represent barely more than 50 percent of deposits in the banking system. For their part, however, enterprises have provided insufficient incentives for banks to expand their lending volume. Continued reliance on subsidies has discouraged competitive business practices that would stimulate greater willingness to extend credit. Poor accounting practices also discourage the maintenance of accurate financial statements to present to banks as evidence of creditworthiness.

As a result, USAID designed the EDGE project to support greater private sector access to credit by strengthening the TCC banking sector's ability to adopt international credit and lending practices. Consequently, EDGE worked with the Turkish Cypriot Banks Association (TCBA) to develop a sustainable capacity to train bank professional staff as well as improve its ability to serve member needs through program development and advocacy. To address deficiencies on the part of businesses, EDGE launched a program to enable the TCCC and CTCI to help firms submit viable business plans to banks and international donor organizations that were offering grants to small and medium-sized enterprises.

Despite challenges within the sector, the TCC's bank oversight function generally complies with the Basle Core Principles for Effective Banking Supervision and meets international standards in independence. While institutional limitations and needs for improvement in governance still exist, the TCC has demonstrated clear successes in enforcement of bank oversight provisions, including removing a bank's license when it failed to meet established rules. Nevertheless, the international community's primary concern has been the TCC's ability to detect and combat money laundering. Through EDGE, USAID has joined the international community in providing increasing support to improve the TCC's prevention of money laundering and financial crimes. EDGE has also recommended ways to improve bank transfers to support Green Line and international trade.

2005

Jul

Aug

Hired Training Coordinator

Conducted Training Needs Assessment

Set up Training Advisory Board



Key Milestones in Commercial Banking

Sep	Oct	Dec	2006	Feb	Mar	Mar-Apr	Apr
Identified and contracted fifteen bankers for first Training of Trainers (TOT) program	Conducted TOT workshops	Completed survey on "The Credit Needs of Small and Medium Sized Businesses in the TCC"		Conducted first bank training course – "Basic Principles of Human Resource Management"	TCBA Board participated in study tour to Egyptian Banking Institute	Conducted 2nd/3rd training courses	Identified and contracted six volunteers to begin the 2nd TOT program

Commercial Banking

● Strengthening the Capacity of the TCBA

Although the TCBA has been one of the TCC's strongest sector-specific business associations, it was an entirely volunteer organization at the launch of the EDGE project. With EDGE assistance, however, the TCBA has evolved into an increasingly professional association with a paid, full-time executive director, a permanent office, a best practices governance structure, and a formal strategic plan that identifies a range of initiatives to ensure sustainability through the delivery of valuable member services. The association has taken an increasingly visible role in advocacy and shaping public policy to promote banking reform and the adoption of anti-money

laundering measures. It has also advocated eliminating its current check-clearing system by the adoption of modern payment systems and the formation of a credit bureau to stimulate greater extension of credit.

● Sustainable Local Training Capacity

With the adoption of EDGE's model for creating a sustainable training capacity, the TCBA has created the foundation of a bank training institute with the ongoing capacity to develop, update and deliver training that bank members are willing to pay for. The EDGE training-of-trainers model enabled the TCBA to take ownership of the design and content of the bank training curriculum, which has now reached

Results

- Built the capacity of the TCBA to formalize its organization including the **hiring of a full-time Secretary General** and support staff able to manage the development and implementation of a wider range of services to TCBA members.
- Strengthened the **TCBA's strategic planning and operational capabilities** to support planned investments and participation in: establishment of a credit bureau and a modern payment system; Anti-Money Laundering initiatives; and implementation of advocacy programs to improve financial market growth.
- Provided the **foundation for the TCBA's creation of a sustainable bank training institute** with the ongoing capacity to develop, update and deliver training that bank members are willing to pay for.
- Enabled the TCBA to take **ownership of the design and content of bank training curriculum**, currently comprised of 10 courses specifically targeted to the needs of the Turkish Cypriot banking sector.
- Created a sustainable **model for the development of a cadre of sophisticated, Turkish Cypriot training course instructors** using international best practices in adult instructional design and delivery.
- Developed a **pool of 21 indigenous instructors** who designed, developed, and delivered courses in banking sourced primarily from within the banking community.
- Created and implemented a methodology **for monitoring and assessing the long-term impact of training** on individual capacity and its contribution to bank performance objectives.
- Stimulated the **formation of human resources departments within 2 of the TCC's 24 commercial banks** that were previously managing human resources functions without formal structures and practices.
- Created a **training culture within the banking community**, from little prior investment in staff development, evidenced by the training of 172 bankers and the TCBA's initiation of a contract with the Banks Association of Turkey to deliver two-day training sessions each month on general topics. In addition, under our guidance, one commercial bank implemented an in-house training program using the EDGE model.

2006 (cont.)

Apr

May-Jun

TCBA
Strategic
Planning
Workshop
conducted

Conducted
4th/5th
training
courses



10 locally-designed courses specifically targeted to the needs of the Turkish Cypriot banking sector. In cooperation with the TCBA's Training Advisory Board, the EDGE project developed a cadre of 21 sophisticated course instructors able to design and deliver courses in banking using international best practices in adult instructional design and delivery. The EDGE project also helped the TCBA implement a methodology for monitoring and assessing the long-term impact of training on individual capacity and its contribution to bank performance objectives. The success of the program has been evidenced by the creation of a training culture within the banking community from little prior investment in staff development. In total, the program trained over 170 bankers, and one commercial bank created an in-house training program using the EDGE model.

• **Improving Human Resources Management Capacities of Commercial Banks**

EDGE's work with the commercial banking sector through the TCBA also stimulated the formation of formal human resources departments within two of the TCC's 24 banks, which were previously managing human resources functions without formal structures and practices.

"After attending (bank training) courses offered by EDGE, I started teaching the courses. This resulted in my getting more respect from my bank as well as other banks. I received acknowledgement from my bank in many forms, including a raise in pay".

Sengul Kirmizi,
K Continental Bank

"I strongly believe that you have to be trained to train. I have learned a great deal from participation in EDGE's bank training program, both as a participant and an instructor".

Toiga Cagakan,
Assistant General Manager, Kibris Vakiflar Bank

"My experience as an EDGE bank training instructor provided me the skills to develop courses for my own bank. Since my participation in the EDGE training program, I have been promoted three times".

Zerrin Kalaycioglu,
Personal Credit Manager, Creditwest Bank

Key Milestones in Commercial Banking (cont.)

Jul	2007	Nov-Feb	May	2008	Oct-Feb	Mar	Apr
Completed Sustainable Bankers Training Institute Feasibility Study		Conducted 6th/7th training courses	Conducted second TCBA strategic planning session		Conducted 8th/9th training courses	Facilitated hiring a full-time Secretary General for the TCBA	Developed collaboration between TCBA, TCCC and CTCI on the delivery of Business Development Services (BDS)
Established Banking Reference Library with more than 100 volumes							



Banking Oversight

- **Alignment of Policies, Practices and Systems with International Standards**

The EDGE project helped the TCC to align its policies, practices and systems for banking and financial market oversight with those of the Greek Cypriot community and the European Union to pave the way for greater future cooperation and ensure stability and sound global citizenship. EDGE encouraged the TCC to adopt EU banking directives as well as a risk-based approach to bank oversight, to include international provisions for establishing risk management practices and internal controls and adopting International Financial Reporting Standards (IFRS). The project also encouraged the periodic assessment of policies, practices and performance against international standards including the Basle Core Principles of Effective Bank Supervision. Against this assessment the TCC improved its score from 126 to 134 (out of a possible 180 points) during the EDGE project's implementation.

- **Adoption of Modern Payment Systems**

Lack of modern interbank payment systems and membership in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) has required that the TCC effect payments through offshore correspondent banks. Interbank payments within the TCC are settled manually or through antiquated processes. These payment mechanisms have hindered both international and bi-communal trade and limit the ability of the banking system to support private sector growth. The EDGE project assessed payment system alternatives and recommended investment in modern, automated payment systems including a Real Time Gross Settlement System (RTGS) and an Automated Clearinghouse (ACH) system to improve banking practices.

Results

- Positioned the TCC to align its policies, practices and systems regulating banking and financial markets with those of the European Union to pave the way for greater future cooperation and ensure stability and sound global citizenship.
- Encouraged the adoption of a risk-based supervisory approach to bank oversight.
- Introduced to the TCC the Basle Core Principles of Effective Bank Supervision and the need to periodically assess policies, practices and performance against international standards.
- Promoted planned procurements in modern, automated payment systems— a Real Time Gross Settlement System (RTGS) and an Automated Clearinghouse (ACH) system – to improve TCC capacities for Green Line and international trade.
- Supported efforts to enhance anti-money laundering practices by providing both technical assistance and access to information.
- Led efforts to inform the TCC about the conversion to the Euro on January 1, 2008.

2005

Aug

Performed first Basle Core Principles Assessment Score: 126

2006

Apr

Identified TCC gaps with IFRS and created accounting training

Reviewed TCC rules, policies, procedures for bank oversight relative to EU directives



• **Support to Combat Money Laundering**

The EDGE project provided assistance to the TCC in order to enhance its ability to combat money laundering as well as to improve its international reputation and capacity for fighting financial crimes. It also provided training on adopting and enforcing international anti-money laundering recommendations of the international Financial Action Task Force (FATF) and its special recommendations on preventing and suppressing the financing of terrorism.

• **Bi-Communal Cooperation**

With the Cyprus' adoption of the Euro at the beginning of 2008, the EDGE project provided assistance to ensure that Turkish Cypriots obtained all pertinent information on conversion rules and regulations, as directed by the European Union. EDGE assistance included help in managing conversion logistics and the conduct of public presentations in the TCC on the conversion process.

“With EDGE’s assistance, I learned the importance of assessing firms according to their risk potential.....EDGE’s work in promoting banking regulation has been very useful”.

Turker Deler

“When I participated in the Anti-Money Laundering study tour to the Isle of Man, which EDGE sponsored, I realized the importance of establishing a mechanism to trace illegal transactions”.

Emete Baylan

“EDGE’s work in promoting regulation of the Turkish Cypriot Community’s non-bank financial sector fills an important gap in the Anti-Money Laundering program....EDGE’s efforts will ensure a synergetic approach among the international community and TCC authorities”.

Alain Bothorel,
Country Representative, European Commission in Cyprus.

Key Milestones in Banking Oversight

May	Jun	2007	Jan	May	Jun	Dec	2008	Feb	Mar
Conducted Anti-Money Laundering study tour to Liechtenstein and Isle of Man	Performed second Basle Core Principles Assessment Score: 134		Conducted "Corporate Governance" briefing to bank oversight staff	Conducted second comparison of rules to EU directives	Conducted presentation on Financial Intelligence Units to TCC stakeholders	Conducted review of payment systems Facilitated cooperation for conversion to Euro		Submitted written risk management review procedures to support bank oversight function	Conducted study tour to the Arrow Risk-Based Supervision Course in the UK







Contact Info:

Office telephone: +90 392 227 0932 or +357 22 660 987

Fax: +90 392 227 0934

E-mail: info@edge-bearingpoint.com



EDGE

Economic Development and Growth for Enterprises



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