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Privitization in Cyprus: the case of Cyprus Telecommunications authority

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PRIVATIZATION IN CYPRUS:
THE CASE OF CYPRUS TELECOMMUNICATIONS AUTHORITY

By

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Declaration

This dissertation is all my own work and all other works discussed or referred to have been cited.

Signature:

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Abstract

The intensive economic crisis the global community is facing in recent years, although initially occurred in the United States has reached epidemic proportions. The dramatic effects on the banking system and businesses expanded in developed countries and subsequently all over the world, creating a great recession. The current financial and economic crisis as well as the chronic structural problems and the implemented policies across countries revealed deeper problems such as unsustainable public deficits, reduced liquidity, inefficient public sector, increased unemployment and even more. These problems indicated to states the need to find the proper means to improve their financial position with the aim to improve liquidity and mobilize investment so as to recover economically and reduce unemployment.

The Republic of Cyprus is facing a huge public debt, serious viability problems of the banking system and inefficiencies in the general public sector. The Cypriot Government under those circumstances and facing the risk of state bankruptcy had to find the proper means to recover financially. On March 2013 it proceeded with the conclusion of a structural adjustment program under the control of the European Union, the European Central Bank and the International Monetary Fund (IMF). Privatizations were among the structural reforms that were employed in all of the IMF's structural programs since they were related with profit and efficiency gains. Thus, privatizations are inevitably included in the Cyprus memorandum, specifically referring to profitable semi-governmental organizations. Cyprus Telecommunications Authority (CYTA) is one of them. CYTA's privatization constitutes an important factor to the reduction of public debt and the improvement of public sector's efficiency.

Privatization had been extensively studied and there is a large literature regarding its aims, methods and results. The goal of this paper is twofold. On the one hand it seeks to discuss the purpose of privatization, the reasons as to why states proceeded in the past with that decision and the methods of privatization that were employed. On the other hand, it seeks to present the extent of telecoms privatization in the European context. The experience from Germany, France, Italy and UK along with the retrieved literature, proved to be very useful since key elements obtained from this procedure: method, capital flowed into public coffers, regulatory framework, competition, labour issues and price guided the present analysis.

The evaluation of the data retrieved from a number of studies, not only documents the trend for privatization as the natural progress of a public company in modern times, but also make it, through the general enforcement of the EU and the IMF, the only option aiming to reduce public debt and improve the efficiency of public enterprises. Alongside basic condition for the success of this policy are the existence of an independent and effective regulatory authority and the existence of an appropriate competitive framework to avoid the creation of private monopolies.

The identification of these elements constitutes in turn an important tool in our hands since we will use them in our analysis regarding CYTA's privatization in order to understand its usefulness.

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