



The Economic Impact of a Settlement in Cyprus through a Gender Lens¹

Introduction

Recent perception studies indicate that 7 out of 10 Greek Cypriots and Turkish Cypriots desire a solution. While a majority of Cypriots note that a resolution of the Cyprus issue is of the highest importance or of high importance to them, a growing number feel increasingly pessimistic about reunification becoming a reality. At the same time, Cypriots on both sides of the island are consistent in their urge to be better informed about the contours of a settlement. In fact, as many as 93% of the Turkish Cypriot and 87% of the Greek Cypriot respondents believe that the public should be consulted on the peace process and the majority of the respondents from both communities agrees that they should be informed and be in a position to provide feedback to their respective leaderships.

Respondents of the Greek Cypriot community (GCc) and the Turkish Cypriot community (TCc) consider the highest potential benefit from a solution in the return of properties, economic growth, territorial readjustments, the end to uncertainty and the possible exploitation of hydrocarbons.

¹ This note was prepared by Enrique Aldaz-Carroll and Reena Badiani-Magnusson. The authors are grateful to the Office of the Special Advisor of the Secretary-General on Cyprus (OSASG) staff, the contribution of expert consultants, Fiona Mullen, Sophia Papastavrou and Mertkan Hamit, the participants of consultation groups and World Bank peer reviewer for their feedback.

This note summarizes primarily the already published work produced in 2015-16 for the two negotiating teams under the auspices of the UN and financed by the World Bank's and OSASG's own resources, together with a UN-WB partnership trust fund. The assessments and projections are based on the state and trajectory of the talks at the time (World Bank 2016). The analysis was informed by previous work produced under the Economic Analysis Programme for Growth and Sustainable Development, which is funded through the European Union's Aid Regulation "Council Regulation (EC) No. 389/2006" of February 27, 2006. Financial support was also received from Sweden and administered by the United Nations Development Programme (UNDP), enabling the organization of focus groups in the GCc and TCc. The analysis was further informed by a focused spotlight on the gender-differentiated impact of a comprehensive settlement. The analysis benefitted considerably from informal consultations with key stakeholders in both communities, and the extensive existing literature relating to gender inequality and gender, peace and security in Cyprus, including the writings of members of the Technical Committee on Gender Equality and members of the Gender Advisory Team (GAT/PRIO 2012 Recommendations on Implementing UNSCR 1325 Provisions on Women, Peace and Security). The opinions expressed in this note do not reflect any official opinion by the UN or the World Bank's Board of Executive Directors, nor do they intend to make any judgment on the legal or other status of the territories concerned.

At the same time there are concerns about the economic impact and social aspects of a solution and how they translate into the daily lives and the future of the two communities. Among women's groups in Cyprus, there is a particular concern about the potential differentiated impact of a settlement between men and women.

Against this backdrop, in its resolution 2543 (2019), the Security Council called upon “the UN to take forward *the Secretary-General's proposal to conduct a gender-sensitive socio-economic impact assessment and to share its outcome with both communities*”.

The Secretary-General's good offices mission in Cyprus took note of the request and together with the World Bank (WB) carried out the assessment in 2019-2020, basing the work on the technical assistance provided to the two sides by the international financial institutions, including the WB, during the most recent round of negotiations (2015-2017). This analysis of the economic aspects of a settlement was complemented with a focused assessment of how the impacts could differ by gender² and the identification of what supportive policies would be needed in order for men and women to be able to benefit more evenly.

As requested by the Security Council, the outcome of the assessment is to be shared with both communities. This is in line with frequent observations by the Secretary-General that achieving a sustainable settlement will require concerted efforts by the two sides to inform their public about the benefits of a solution. This has been echoed by the Security Council in several resolutions where the Council has called on the leaders to improve the public atmosphere for negotiations to secure a comprehensive settlement, including by preparing the communities for a settlement, addressing issues of concern through public messages on convergences and the way ahead and delivering more constructive and harmonized messages.

As shown in many peace negotiations across the world, harnessing the greater participation of women in the peace process and working towards a gender transformative outcome can achieve important results. Women's participation in peace and security efforts has been found to strengthen the sustainability and durability of the agreement, and to better reflect the needs and considerations of men as well as women, boys and girlsⁱ. This will contribute to ensuring that any future united Cyprus is more sustainable, safer, more equal and with greater opportunities for all. Furthermore, the findings of this assessment illustrate that advancing gender equality cannot wait: acting now can strengthen the impacts and inclusivity of the settlement to the benefit of all.

This note summarizes the WB's main findings in a question-and-answer format.

Do the benefits of reunification outweigh its costs?

Yes, the benefits would outweigh the costs, as the entire island stands to gain from reunification. A comprehensive settlement will open a window of opportunity for greater development in Cyprus. A unified Cyprus could become an “island of stability” in what has unfortunately become an increasingly

² A full gender or socio-economic assessment was beyond the scope of the work conducted. Notably, this work does not address legislative gaps or enforcement of anti-discrimination legislation, LGBTQI issues, or the issues facing migrant workers and domestic workers. While this work does not address issues faced by these groups across the island in the context of a comprehensive settlement, it notes that these populations constitute a significant part of the workforce and that appropriate measures would need to be taken to guarantee fair terms of employment, decent working and living conditions and the security of these populations.

volatile region and would benefit from its centuries-old cultural and economic ties to all neighbors around the Eastern Mediterranean and beyond.

A settlement accompanied by supportive policies and institutions could result in the average annual real GDP growth rate increasing by an additional 0.4 of a percentage point in the GCc and by an additional 1.8 percentage points in the TCc.

Higher GDP growth will lead to higher incomes for Cypriots overall. In the decade following reunification, TCc incomes could reach 75 percent of GCc incomes, as opposed to 67 percent under a status quo scenario. Coupled with increasing incomes in the GCc, the per capita income of the entire island could increase by 7 percent in the decade following a comprehensive settlement, relative to that under the status quo.

Reunification will increase trade not only across the island but also with the rest of the world. Sales across the Green Line are currently far below potential due to double taxation, different product standards, and the limited coverage of products. Trade between the GCc and Turkey is hampered by the Cyprus problem, while TC traders' access to the rest of the world is limited to Turkey as a result of recognition issues. The normalization of relations and harmonization of tax systems and product standards are expected to triple intra-island commerce. Firms will be able to access services and inputs from both sides of the island, reducing their costs and increasing competitiveness. The expansion of international trade will also be sizeable: GCc exports of goods and services to Turkey could increase by as much as 3.4 percent of the GCc's current GDP by 2035. The GCc's service exports to Turkey will likely include business services, shipping and shipping management, financial services and tourism. With supportive complementary policies, TCc exports of goods and services to mainly the EU could expand by as much as 12.2 percent of the TCc's current GDP by 2035. The TCc's exports to the EU would likely include tourism and agricultural products.

A settlement will also spur investment. The integration of the energy, transport, and water systems could generate about €1.1 billion-worth of investment opportunities within 2-3 years of a settlement. This will provide better and cheaper infrastructure services for Cypriots and firms, increasing the wellbeing of Cypriots and private sector competitiveness.

Reunification will also reduce economic uncertainties and foster a more conducive environment for business and prosperity. A settlement will also facilitate the exploitation and the sharing of benefits of natural resources. The settlement will spur modernization of administrations and more effective administrative structures will, in turn, be better able to minimize the impact of inflationary risks and address unemployment issues.

With a well-managed and inclusive reunification, the benefits of a larger economy, increased trade, and greater investment will create many jobs across the island and lead to higher incomes. The free movement of labor and capital will make the economy more productive, as workers and finance will be put to their best use. Employment rates will increase across the island in the medium term, but particularly in the TCc, while the volume of labor commuting is expected to remain relatively small after an initial surge.

The employment gains will be driven mainly by the construction and tourism sectorsⁱⁱ, sustained by new infrastructure investments and supportive policies. An opportunity is presented to reduce the substantial gender gaps in wagesⁱⁱⁱ and the type of work that men and women do through policies that can support the flow of men and women into jobs that have typically been gender segregated^{iv} and through encouraging women to take a leadership role in the shifts. Promoting education and job choices

based on skills and motivation rather than based on gender has the potential to make labor supply more responsive to labor market needs and to enhance productivity.

The responsiveness of the female labor force to these shifts will be necessary to support the transition and can indeed increase the impact of the transition. Women account for 45% of the current workforce of the island and half of the working age population. They however continue to be underrepresented in managerial and leadership positions in the public and private sector, and to face challenges in combatting stereotypes, battling norms and in reconciling their family and work lives. This constrains their choices of jobs, careers and mobility, feeds into gender pay gaps and ultimately reduces the flexibility they have to make the adjustments needed for labor market shifts.

Supporting gender equality can be considered to be smart economics: reducing the barriers that limit the access and choice of women and men in social and economic spheres can generate productivity gains and advance development outcomes^v. Gender diversity has been linked to shifts in firms' outcomes through multiple channels^{vi}: initiatives to increase gender diversity were reported by firms to increase their ability to attract and retain skilled employees; increased gender diversity in teams and in management has been found to support a broader representation of preferences in society, to shift group dynamics and to enhance creativity, innovation and openness.

Structural barriers to women's participation in the workforce on equal grounds constrain the ability of women to benefit from a comprehensive settlement and require concerted policy action to facilitate their participation^{vii}. As described below, a number of supportive policies can be expanded to further advance women's engagement and position in the workforce, ranging from labor market services tailored to the needs of those who wish to reenter the workforce to an expansion of affordable and reliable child care to support working families^{viii}.

A settlement with appropriate supportive policies will, therefore, improve Cypriots' wellbeing and help their incomes to catch up with those of more advanced EU economies.

The move toward more efficient administrative structures and a larger private sector will carry some temporary adjustment costs, as employment will expand in some areas and shrink in others. These adjustment costs can be mitigated with gender-responsive social protection that will facilitate workers to move to new jobs with retraining and assistance. Social protection programs have played an important role in mitigating temporary adjustment costs in the accession of new EU members.

To seize this opportunity fully and immediately, the GCc and the TCc will need to support the implementation of a comprehensive settlement with sound policy and institutional decisions, effective follow-through, and careful management of the property issue, as explained below. Addressing barriers that prevent the full participation of women early on will similarly be vital in promoting support for a solution and in ensuring that the opportunities created are accessible to all. This will include the need to incorporate measures to support the evolution of social structures, restrictive cultural norms and gender relations in order to achieve shared leadership, management and control of resources, decision making, and support for women's empowerment.

Such decisions will determine how large the benefits will be. Furthermore, engaging widely on these decisions can reduce the uncertainties facing people about how their lives will be affected and can further lend support to the process.

What will be the impact of the free flow of workers within the island?

Given that there is a gap in wages between the GCc and the TCc under the status quo, there is already an incentive for labor movement across the Green Line. Following a comprehensive settlement, this

wage gap will gradually narrow as per capita incomes for the entire island increase. Therefore, any immediate surge in intra-island labor mobility is likely to be temporary and generate positive net effects. After some adjustment, the existing social protection systems in Cyprus will have the capacity to cushion the structural transformation that will take place in the entire Cypriot economy following a settlement. Provided the appropriate supportive policies are applied, reunification will result in a “bigger pie” to be shared by both sides.

Is there a cost to delaying a settlement?

The division of an already small economy into two smaller sub-economies has led to relatively large administrations in both communities. It has also led to inefficiencies in the production of services and goods by the administrations and private sectors, as they cannot benefit from any reduction in costs that would accrue from producing for one larger domestic market.

The cost of a stalemate increases with failed rounds of negotiations because of foregone benefits that are unlikely to be restored at the time of a settlement, as well as costs that accumulate over time. Take for instance the difficulties in exploiting natural resources and in positioning the island strategically in the region. There are also foregone benefits such as those of an owner being unable to use her/his affected property, or to spend the property compensation now, as opposed to in one or several decades’ time. Another foregone benefit is the widening of the gap in income per capita between Greek Cypriots (GCs) and Turkish Cypriots (TCs) as time goes by without a settlement, increasing the number of years that will be needed for incomes to converge after a settlement. Consider also the potential job opportunities that cannot be attained by TC women in the absence of a settlement—their labor participation rate is half that of the EU average, with higher unemployment rates than men and a clear interest in furthering their labor market engagement under the right conditions. There are also costs that accumulate over time, such as defense costs (which on the GC side include not only National Guard defense costs but also one third of the yearly costs of the UN Peacekeeping Force in Cyprus, which amounted to \$17.1 million, equivalent to €15.2 million, for the GCs in 2019); inefficiencies associated with the suspension of the EU acquis in the TCs; and the administrative resources spent in negotiations over the Cyprus problem.

Though the economic costs of a non-settlement accumulate over time and are significant, the non-economic costs far outweigh them. Forty-six years have passed since 1974, and most dispossessed property owners are now of an advanced age. An estimated 1,108 dispossessed owners die every year without restoration or compensation because of the delay in reaching an agreement^{ix}. The emotional benefit of reunification for the rest of the population also diminishes with time. In fact, in a decade’s time less than 8 percent of the population will have adult memories of Cyprus before the de facto division; for most of the population, living together in one country will be an unaccustomed concept^x.

What are the most important supportive policies needed to maximize the benefits of a comprehensive settlement to the Cyprus Question?

In the context of a comprehensive settlement, it is important to make the needed infrastructure investments to increase integration within the island and with the rest of the world. Connecting roads, ports, and electricity and water systems will result in more intra-island commerce, more international trade, more tourism, and more business opportunities in general.

Investment in public transportation systems that provide regular and reliable services will further raise mobility and access to services and also the potential to support tourism across the island. Among women from poorer backgrounds and the population living in more isolated areas, mobility and the ability to reach broader labor markets and quality health services are affected by limitations in public

transportation, while concerns about security in public spaces after dark affects the mobility of some groups. Current levels of public transportation provision also inhibit cross-island mobility for those without access to cars. Investment in gender-sensitive transportation services can have far reaching consequences that go beyond increasing labor market access, since strengthening these services can facilitate cross-island contact and connect isolated populations to better education and health services.

With gender equitable policies implemented to facilitate the free movement of labor and capital within Cyprus, including the harmonization of systems and the mutual recognition of certification, economic integration will be even stronger. Stronger integration will increase productivity thanks to a larger domestic market, with capital and workers being put to their best use. Making life easier for the private sector through reduced bureaucracy, providing better banking services to Cypriots through a larger and stronger financial sector, together with a more stable macroeconomic-fiscal framework, will help all Cypriots to make the most of the reunification opportunities. Finally, it will be important to assist vulnerable people with social protection measures during the transition to minimize adjustment costs. The measures would include among others, support to find new sources of income, retraining to move to new types of jobs, and assistance to displaced persons.

What would happen if supportive policies are not undertaken?

Less positive and costlier outcomes are likely if the implementation of a comprehensive settlement is not accompanied by supportive policies and institutions. While a settlement with limited policy changes might yield a better outcome than the status quo, it would not be large enough for Cypriot incomes to converge with those of advanced EU economies. Past experience, such as that of Bosnia and Herzegovina, illustrates how insufficient attention to economic considerations and limited commitment to integration can lead to inefficient public spending and lower growth outcomes.

Experience of the opening-up of markets, such as accession to larger economic groups and liberalization of trade, has shown that increased market access by itself is no guarantee of economic success. Supportive policies are also needed. For this reason, economic performance following accession to the EU has varied widely across new member states. For example, Poland implemented a reform program and was able to transition from middle-income to high-income status in less than 15 years. In contrast, Bulgaria has been a laggard in reform and in convergence with higher-income countries of the EU. Outside the EU, the gains from increased trade opportunities vary too. Take the case of two small island economies: Mauritius' economic growth outperformed that of Jamaica's even though both islands had similar endowments and preferential access to markets in the EU and the United States. Supportive policies help to explain this difference.

How much will it cost to implement supportive policies?

A comprehensive settlement will open up opportunities for major infrastructure projects across the entire island. If these projects are identified and implemented with care, and are productive, they will be an investment rather than being a cost and will bring island-wide economic benefits. Linking transport infrastructure across the island and with global markets will help realize the gains from reunification related to commerce and trade. Linking energy and water systems will allow the more efficient use of available resources in times of excess capacity and during emergencies, by directing them to needed areas at times of high-demand and avoiding waste. Such infrastructure investments will also promote economic activity and job creation.

Public investment requirements to reconnect infrastructure across the island are estimated at €580 million for transport, €325 million for water, and €180 million for energy. It will be important to make the most of domestic and foreign private financing, as well as public financing, including from European

Structural and Investment Funds. European Structural and Investment Funds have played an important role in helping EU countries upgrade their infrastructure. The experience of lagging regions in other EU economies indicates that the main challenge will be one of absorbing the funds. It will, therefore, be crucial to enhance administrative capacity at different levels of government, including municipalities, to link productive investment opportunities to available public funds, as well as to develop a conducive business environment to attract private financing.

Does supporting economic integration of Cyprus include integrating financial markets?

Yes, the integration of the Greek Cypriot and Turkish Cypriot financial systems will be critical in supporting economic integration in a reunified Cyprus. Reunification will first require ensuring the stability of the existing systems, followed by coordination of financial service providers and supervisory bodies, as well as regulatory frameworks and the financial infrastructure that supports their operation. Integrating the two banking systems will reduce uncertainty in the TCc banking system, helping to bring down interest rates. The adoption of the euro in the TCc will bring its short-term interest rate down to the EU level. The greater stability of the euro relative to the Turkish lira will reduce the negative impact of currency fluctuations on the TC economy.

The WB has been focusing on the legal, regulatory, and supervisory frameworks, and the financial infrastructure, of the TCc's banking sector in an effort to support its convergence with the norms and standards required by the EU and already applied in the GCc. Reunification will require a review of the TCc's banking sector to ensure that it meets the requirements of the EU acquis³ and euro area, which will require a concentrated effort. Integration of the TCc's banking sector is unlikely to increase systemic risks in a unified Cyprus due to the size and structure of the TCc banking sector: the largest bank in the TCc—accounting for 20 percent of the sector in the TCc—makes up less than 2 percent of total banking sector assets in the GCc.

The GCc's banking sector has made significant progress on its recovery path, following the 2013 financial crisis. However, persistent high levels of private sector indebtedness and nonperforming loans will require continued efforts going forward to mitigate risks^{xi}.

Integration of the two financial sectors presents considerable opportunities if both sectors manage to address their respective challenges. It could allow financial institutions from both communities to join forces and advance Cyprus' positioning in the region as a safe and reliable economic and financial hub.

Public sector debt and budget deficits are real concerns on both sides. How will this issue be handled in a federal system?

Given that the GCc has only just recovered from its financial crisis, it still faces significant fiscal challenges. Public debt is high relative to the economy's income. While recent improvements in the budget balance have put the debt level on a downward trajectory, legacy issues in the banking sector in particular mean that it is still vulnerable to fiscal risks. In the TCc, the level of public debt is also high. Almost all the non-domestic debt owed by the TCc is owed to Turkey.

Looking at the experience of federations globally, in terms of subnational fiscal arrangements there would be a menu of options available to a unified federal Cyprus. Whatever institutional design is agreed upon, it would need to be complemented by a prudent fiscal policy to help Cyprus reduce its

³ The Acquis Communautaire is the body of European Union law that is applicable in member states and which is currently suspended in the TCc pending a settlement.

existing fiscal vulnerabilities and manage the risks as a member of the EU and euro area at all levels of government. For instance, a sizeable part of fiscal revenues in Cyprus is already spent on the public sector wage bill. A united federal Cyprus should aim to avoid increasing the wage bill and explore efficiency gains within the existing budget envelope.

Will there be a federal social security system, or will the two communities be responsible for sustaining their own social security systems?

It will be up to the sides to agree how the social insurance systems that currently exist in both communities should evolve following a comprehensive settlement. What can be said is that, typically, small federations have one single social insurance system. This supports labor mobility, allows for the pooling of risk, and reduces administrative costs, compared with having multiple systems. Having said this, the WB has found that the maintenance of multiple social insurance systems in Cyprus would not significantly distort economic incentives, given the similarity between the criteria governing the two schemes. One caveat, however, is the need to enhance the existing schemes to allow portability of benefits from one scheme to the other, to support labor mobility. It would also be desirable for the systems to converge over time to promote labor market integration, the sustainability of the social security regime and to address persistent gender gaps in pensions^{xii}.

How can poor and vulnerable groups continue to get the support that they need?

Social welfare services are vital for the poorest and most vulnerable in society. Targeted social assistance reduces at risk of monetary poverty rates among female headed households to the same level as that of male headed households in TCc, while it narrows at risk of monetary poverty considerably but does not fully close the gender gap in GCc^{xiii,xiv}. Provisions would be needed to ensure that poor and vulnerable populations continue to be supported with vital social welfare services and that the structures support mobility.

Furthermore, welfare services and legal protections are key for supporting victims of family and domestic violence. Maintaining these services and protections during the implementation of a comprehensive settlement will require cooperation between police, health, education and welfare services within and across the two constituent states. Such cooperation will help prevent and combat violence against women; this is particularly important in the case of mobility, to ensure coverage gaps do not occur.

What policies can support a more equal flow of benefits between men and women from the enhanced economic opportunities?

Gender equality contributes to stable nations and inclusive economies. At the same time, women's economic empowerment is a key issue of concern across the globe. Addressing it in the context of a comprehensive settlement in Cyprus will be critical for creating greater, more equitable and sustainable growth and for promoting human security.

In Cyprus, gender gaps in education have narrowed across generations in both communities and have closed and reversed at the tertiary level for younger generations. The closing of education gaps leaves younger women and recent labor market entrants better placed to participate in a range of jobs. At the same time, however, social stereotypes continue to reinforce gender stereotypes and gender segregation in education continues to be seen, for example with women continuing to be less engaged in STEM fields than men^{xv,xvi}.

However, many of the challenges and expectations that women face in reconciling their family and work lives have not narrowed to the same degree and gender earnings gaps remain pervasive. Child-care responsibilities affect the participation of mothers and grandmothers^{xvii}, contributing to the early retirement of women and to the gender gap in pensions^{xviii}. An unequal division of labor and responsibilities within the household hinders professional development and leads to a double day. These factors constrain women's jobs, career and mobility options and reduces their ability to make the needed adjustments for labor market shifts.

Supportive policies are needed to reduce these imbalances and further build upon existing initiatives to enhance gender equality. Life-course transitions^{xix} can be supported through an expansion of access to affordable, reliable and quality childhood care and an extension of on-site out of school care for primary school aged children. Equal parenting and engagement on the domestic front can be enhanced through more flexible and paid parental leave policies. For example, maternity leave in TCc is segmented into an allocation that can be taken pre- and post-birth. Mothers could instead be allowed the flexibility to use these according to their needs, pre- or post-birth. Furthermore, in both communities, maternity leave could be made more flexible by allowing mothers to take the leave part-time and extend the length of the leave, or to transfer part of the leave to the father. Paternity leave in TCc, at 2 days, is limited and paternity leave in GCc could also be made more flexible by extending the period after the birth during which it has to be taken and by allowing the leave to be taken in blocks^{xx}. Paid paternity and parental leave has been shown to raise parental engagement and even the distribution of childcare in a household, encourage female labor force participation and improve child development outcomes^{xxi}.

One in seven women out of the labor market are ready to re-enter the workforce in TCc, and one in six in GCc^{xxii}. This points to the need to provide labor market services to help returnees refresh their interviewing and job search practices, refresh, enhance or develop their skills, and establish connections while also building confidence and encouraging soft skills. Finally, enforcing non-discrimination legislation and raising awareness through pay transparency, or highlighting good practices in gender-sensitive hiring and remuneration guidelines can further reduce gender gaps in pay and promotion.

Finally, the development of dedicated services to support business growth among self-employed women and entrepreneurs – such as coaching, training, mentoring and networking opportunities – among others – can contribute to economic growth and job creation, and help this important segment of the labor market to respond to changes arising from the new state of affairs following a comprehensive settlement^{xxiii}.

There is much discussion in Cyprus over the cost of the restoration of property and the cost of the relocation of people. Has the WB looked into this?

The settlement of the property issue touches the lives of a great number of Cypriots. In the negotiations, it has been agreed that dispossessed owners and current users will have various choices regarding their claims to affected properties, including compensation, exchange and reinstatement. Not all decisions regarding the property chapter have been finalized by the sides and it is well known that the amount of compensation for a settlement of the property issue and its financing are among the key economic questions to be resolved. The WB has provided its analysis of the property issue to the negotiating teams, who will have to agree on the final criteria and the details. However, the WB finds that, with the right institutional choices and instruments, it is technically feasible for Cyprus to resolve the affected property issue in a way that would be fair and just for all, fiscally sustainable, and with minimal impact on property and financial markets, as well as on inflation.

Due to the fact that well-defined property rights are one of the pillars of economic success, resolving the property issue will help enhance the business climate in Cyprus, while allowing one-third of the island's territory to be fully developed to bring about greater wealth and jobs. Secure property rights will also help reduce financing costs for Cypriots, as all properties could be used as collateral. In contrast, delays in agreeing on and implementing a property settlement only serve to reinforce the existing uncertainties, hampering Cyprus from reaching its full potential.

While there is limited quantitative data on property-rights by gender, suggestive evidence indicates that there are no highly visible gender gaps in property rights arising through inheritance channels or through household decision making processes^{xxiv}. However, gaps were noted in those households that displayed strongly defined gender norms, where clear and sharp divisions by gender in the financial, economic and home space were noted. In these households, the ownership and decision-making power over property was more unequal, with the implication that women in these structures had limited say over their property or large financial decisions.

The available evidence also indicates knowledge gaps with respect to financial management. A gender gap in financial participation and management^{xxv} is likely to influence women's voice related to the management of property. Gender gaps in existing knowledge of financial instruments, the property market and the related financial decisions will feed through to unequal voice and decision making. This could affect choices made in the context of a property settlement, in particular the exercise of property rights, including over how any compensation received is invested and used. More generally, a gender gap in financial participation and management may also feed into unequal access to the resources needed for collateral – further affecting women's economic engagement relative to that of men. It could also leave women more vulnerable as guarantors of others' debt. To counteract this, there's a strong need for expanded financial management resources to be made available prior to settlement, to encourage greater engagement in financial planning and decision making. Dedicated outreach channels would need to be established to ensure that men and women are equally informed about the resolution of the property-issue.

While during the last round of negotiations the sides aimed to limit displacement and dislocation of persons in the event of a settlement, it will be important to assist those who still might be displaced as a result of the property settlement and/or as a result of the territorial adjustment in order to ensure that the benefits of a solution are shared across the island. With this aim in mind, a gender-responsive resettlement support program could be designed to provide assistance to any displaced people and households to help them regain their livelihoods.

Conclusion

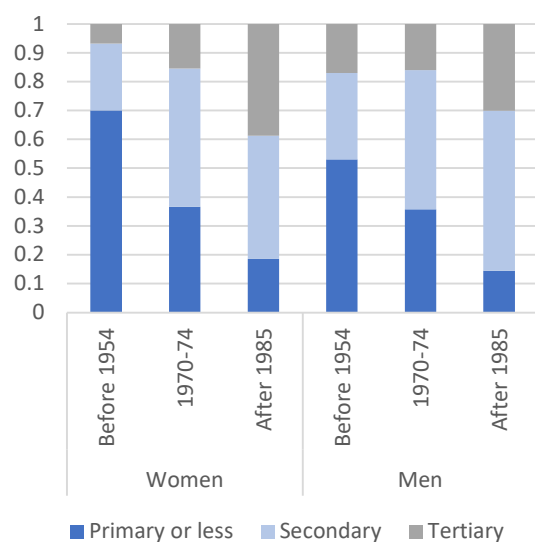
A comprehensive settlement will open a significant window of opportunity for greater economic growth across Cyprus. It is expected to spur investment, boost trade, create jobs, and thus support improvements in standards of living and a convergence of incomes across the island and with more advanced EU economies. Gender equality can both raise reunification benefits and support a more equal flow of these benefits; engaging now will reduce the continuous economic and social impact of gender inequalities. Delaying a settlement will result in increasing the economic and non-economic costs overall. To avail themselves fully of this opportunity, the GCc and TCc will need to adopt sound policy and institutional decisions and implement any agreement effectively. How well this is done will determine how large the benefits for all Cypriots will be. Provided appropriate supportive policies are applied, and existing gender barriers that limit the economic engagement and agency of women are reduced, reunification will result in a "bigger pie" to be shared by both sides and by men and women more equally.

Annex: Selected indicators

The assessment adopted the framework from the World Development Report 2012 (World Bank, 2012) to consider how differences in: (i) access to assets; (ii) economic opportunities; (iii) agency and social norms will influence how men and women are differently able to take up the opportunities available due to the potential settlement. This framework was used as an organization tool in the background analysis and research phase of the assessment; however, the results were not presented along the lines of the framework but were rather presented from the perspective of the channels through which gender differentiated economic impacts may be seen subsequent to a comprehensive settlement.

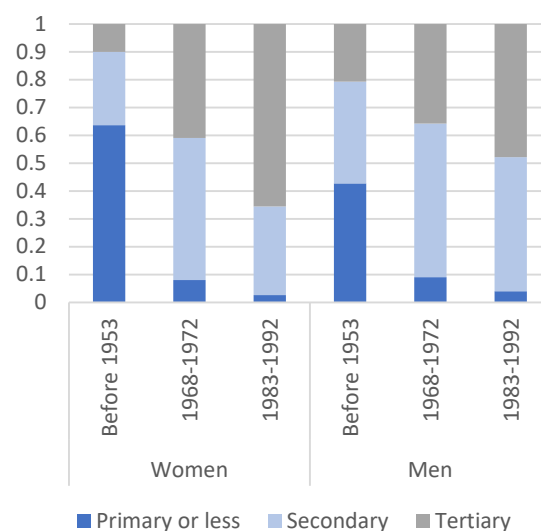
Figure 1: Education completion according to year of birth

Panel a: TCc



Source: World Bank (2019)

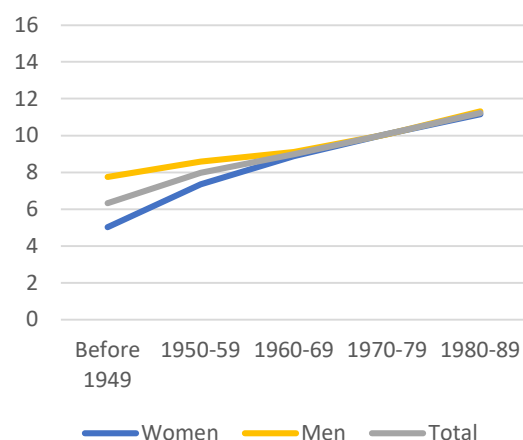
Panel b: GCc



Source: LFS 2017

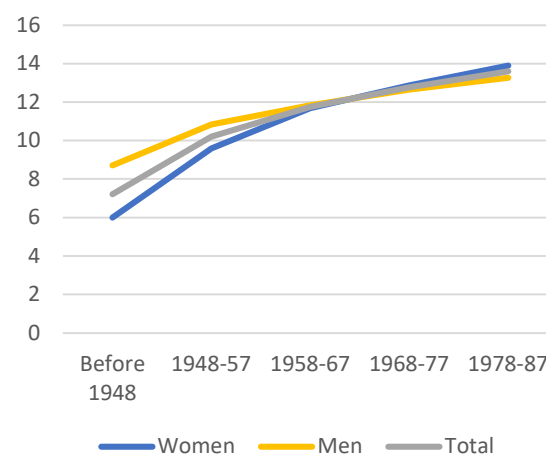
Figure 2: Average years of schooling, by generation

Panel a: TCc



Source: World Bank (2019)

Panel b: GCc



Source: LFS 2017

Figure 3: Share of those over the age of 15 who are: (i) employed; (ii) unemployed (and actively looking for work) and (iii) ready to work but not actively searching for employment

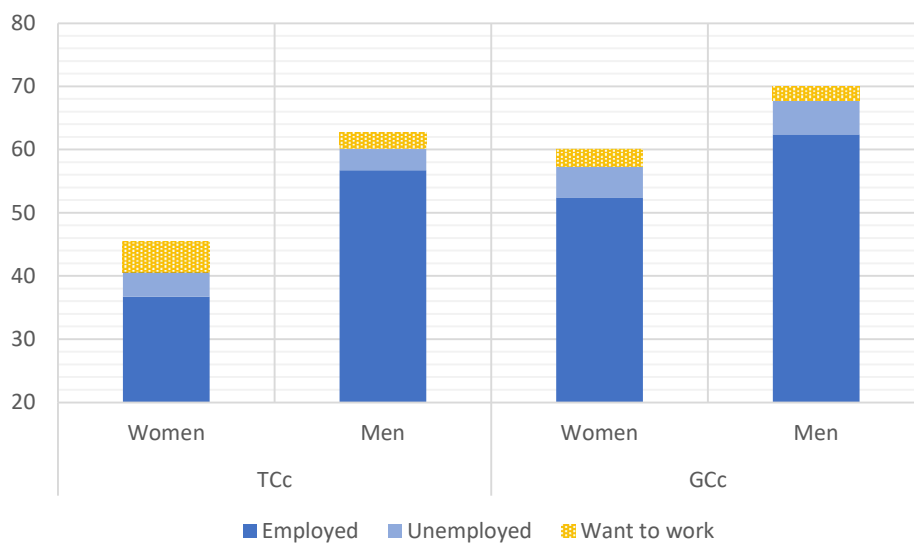


Figure 4: Percentage of men and women working by age, including those who are ready to work
Panel a: TCC, using Household Budget Survey from 2014/2015
Panel b: GCc, using Labor Force Survey from 2017

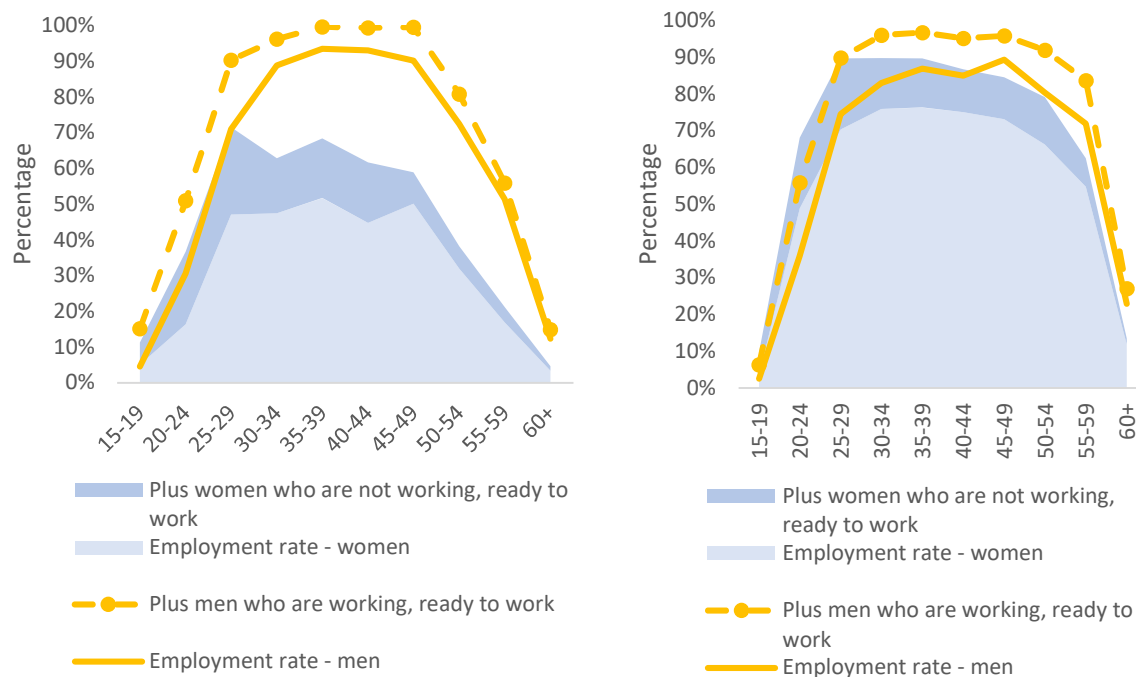
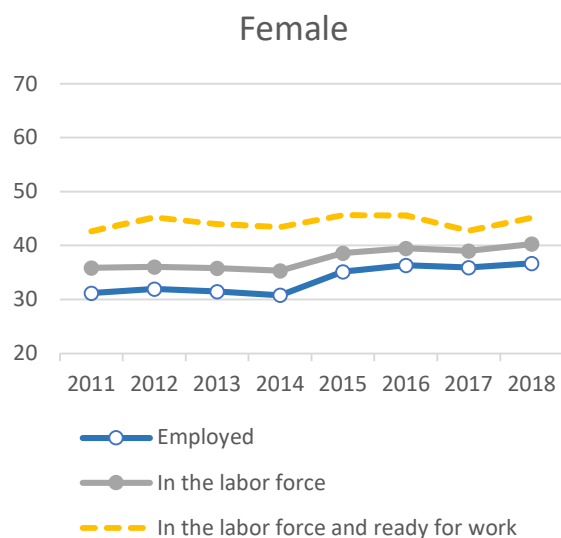


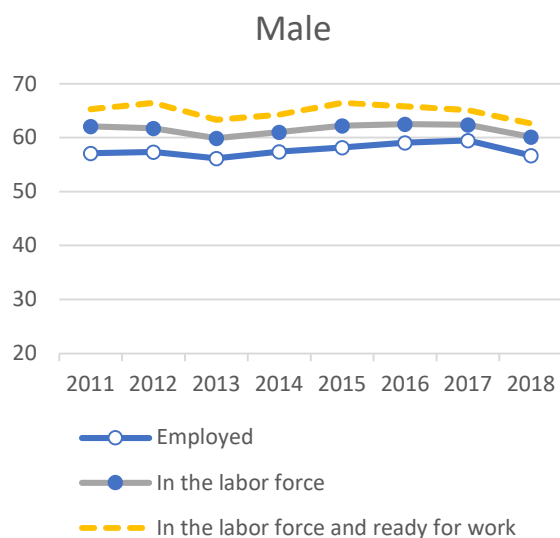
Figure 5: Employment trends in TCc: the share employed, in the labor force, and ready to work.

Panel a: Female, TCc



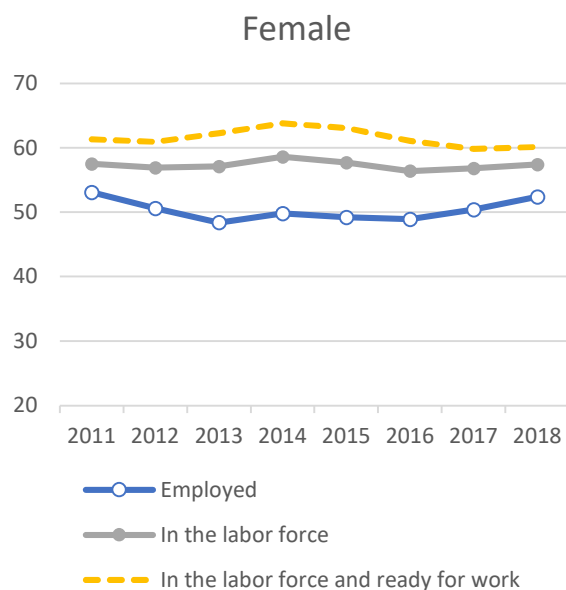
Source: World Bank analysis of publicly available tables on the Labor Force Survey, SPO

Panel b: Male, TCc



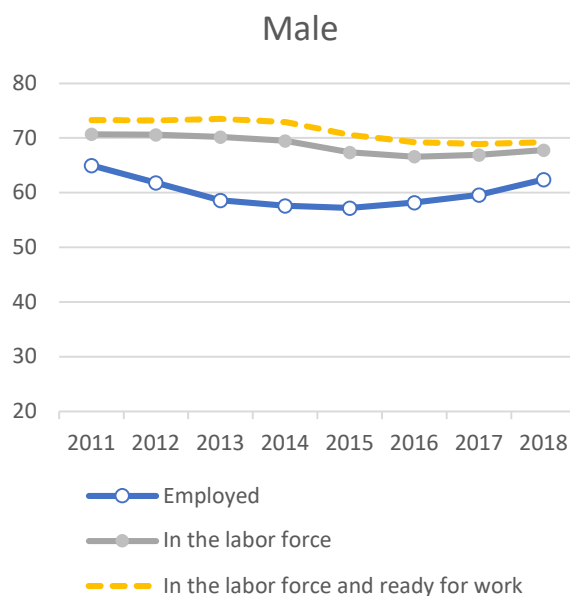
Source: World Bank analysis of publicly available tables on the Labor Force Survey, SPO

Panel c: Female, GCc



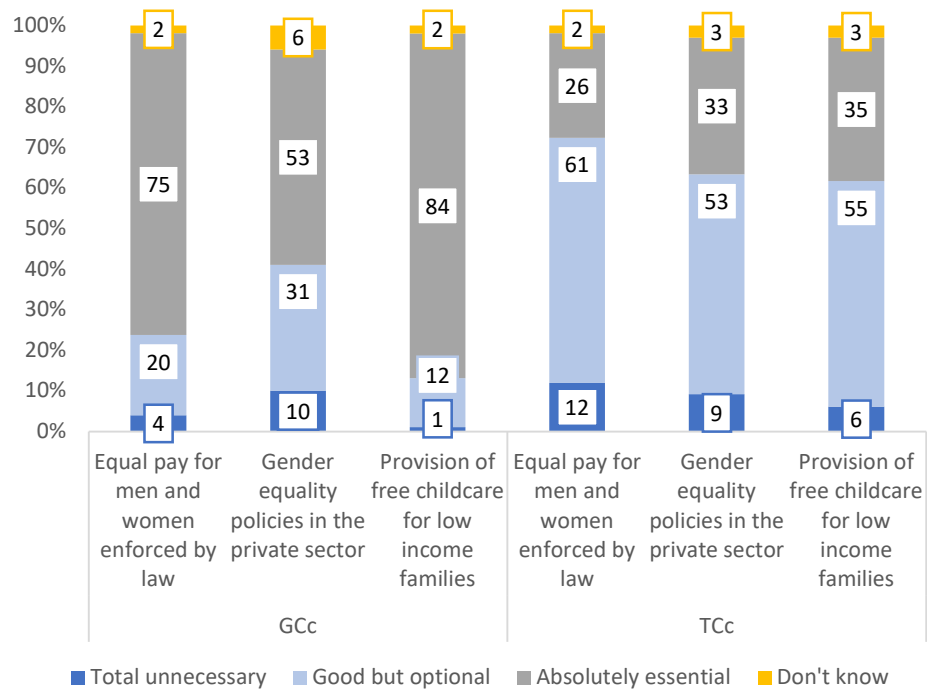
Source: World Bank analysis of publicly available tables on the Labor Force Survey, CYSTAT.

Panel d: Male, GCc



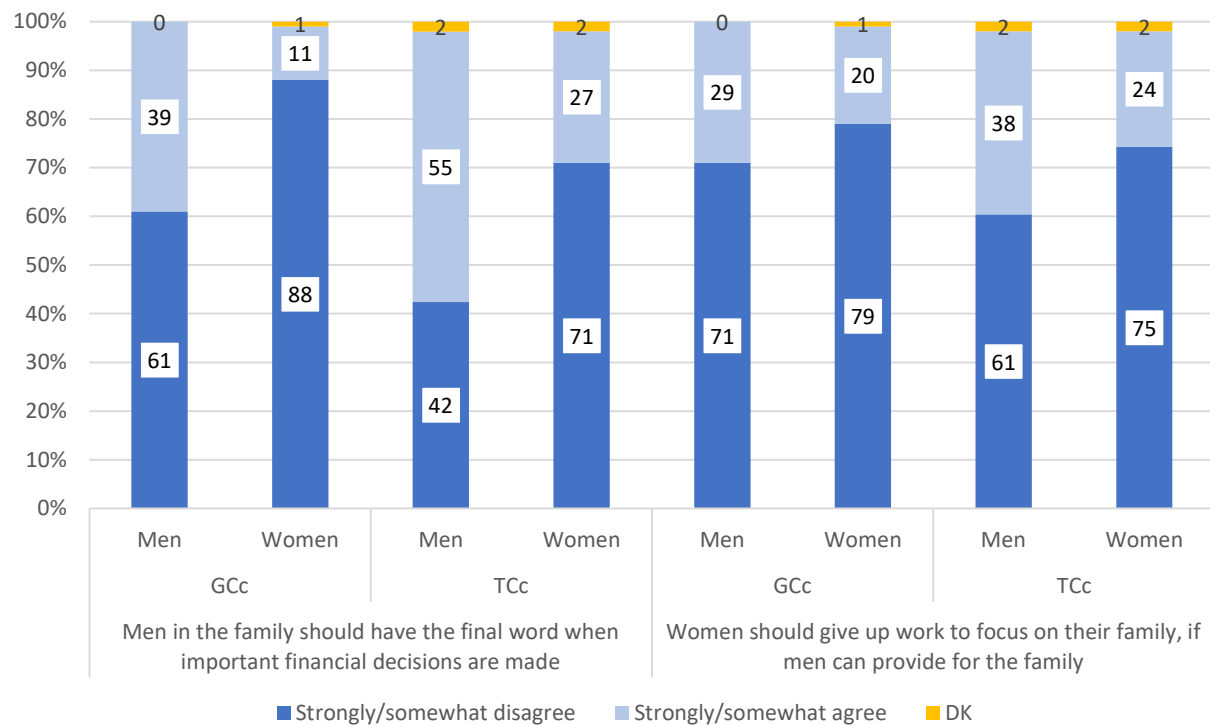
Source: World Bank analysis of publicly available tables on the Labor Force Survey, CYSTAT.

Figure 6: Support for gender mainstreaming of selected policies in GCc and TCc



Source: Dagli Hustings et al. (2018a and 2018b)

Figure 7: Gender stereotypes in GCc and TCc



Source: Dagli Hustings et al. (2018a and 2018b)

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ⁱⁱ While women are typically not highly engaged in the construction sector, they are highly present in sectors with down-stream links that would likely see a shift in demand.

ⁱⁱⁱ Historically, the gender wage gap – the difference in average gross hourly earnings of male and female employees as a % of the male gross earnings – in GCc was among the largest in Europe; for example in 2005 the reported gender wage gap was 21.8%, compared to 17.7% for the EU-27. The most recent data, from 2017, however show that the gap has dropped considerably over time, to 13.7%, which was below the EU average of 16% (Odysseas and Ioannou, 2019). Güven-Lisaniler and Uğural (2009) show that women's wages were 88% of men's wages in TCc and highlight that significant labor market segmentation contributes to the gender wage gap. Gender pay gaps have been linked to: sorting by fields of study and segregation in the types of jobs conducted; interruptions in careers linked to life-transitions; labor supply, including hours of work. Discrimination, while harder to identify, and biases against women also contribute to the pay gaps.

^{iv} Although gender based occupational and sectoral sorting is a longer-term constraint that is not likely to rapidly shift, the benefits to the broader economy of tackling this horizontal and vertical segregation are notable (World Bank, 2012). Beton Kalmaz and Güven Lisaniler (2019) find that demand side issues – for example gender stereotyping – is more likely to explain the segregation than the personal characteristics of women. Indeed, they furthermore suggest that gender-based segregation contributes to the low participation of women in the labor market, in part through widening the gender gap in wages and also potentially through a reduction in labor market choices.

^v World Bank, 2012 and 2019; Wodon and De la Briere (2018); McKinsey Global Institute (2015).

^{vi} ILO, 2019; Azmat, 2014; World Bank, 2012; McKinsey Global Institute (2015).

^{vii} Gender gaps in employment outcomes have been noted in both communities, with somewhat wider gaps noted in TCc. In 2018 the gap between participation stood at 20 percentage points in TCc, with 36.7 percent of women over the age of 15 employed compared to 56.7 percent of men (SPO, 2018 LFS). There is substantial regional variation both in participation and the size of the gender gap, for example female labor force participation is highest in Famagusta (41%) and lowest in Karpassia and Lefka (30%). While there is also a considerable gender gap in GCc, it is smaller than that seen in TCc: 52.4 percent of women over the age of 15 are employed, compared to 62.4 percent of men (CyStat, 2018 LFS). Furthermore, women's unemployment rates are significantly higher than those of men in TCc (9% compared to 5.7% in 2018) and marginally higher in GCc (8.9% in 2018 compared to 8.0% using LFS 2018 from CyStat).

^{viii} There is widespread support for free childcare to low-income families: a quantitative survey of over 1600 respondents island wide found that over 90% of individuals asked in both communities considered this to be absolutely necessary or good (but optional) (Dagli Hustings et al., 2018).

^{ix} Based on displacement data from the Internal Displacement Monitoring Centre and the average family size back in 1973, there were 64,339 dispossessed property owners as of 1973, equivalent to 16.4 percent of the population above 19 years of age (UN population data). The number of dispossessed owners that die each year is estimated by applying the 16.4 percent figure to the number of persons that die each year within the respective cohort of years (dispossessed property owners are assumed to have been 20 years or older in 1973). The number of persons that die each year within the respective cohort of years of the dispossessed owners is estimated by comparing cohorts in the 2018 and 2023 population pyramids taken from <https://www.populationpyramid.net/cyprus> (which is based on UN data).

^x Estimated based on 2029 population projections by cohort (<https://www.populationpyramid.net/cyprus>), which are based on UN data.

^{xi} The consultations and focus group discussions highlighted a gender differentiated dimension of indebtedness, with women acting as guarantors for loans despite not having access to the revenues or assets purchased under those loans. This highlights the need to raise awareness of financial products and financial literacy more broadly, and to ensure those acting as guarantors are fully informed about their financial obligations as guarantors. Further evidence is needed in this area given the importance of these gaps.

^{xii} The gender gap in pensions in GCc (38% in 2018, Eurostat dataset ilc_pnp13) is one of the largest in Europe (EU-28 average of 30% in 2018), which results in women being at greater risk of poverty later in life than men. Pension gaps reflect the compounded effects of career interruptions, shorter working periods, constrained career and earnings trajectories. Pensions systems can be calibrated to narrow the pension gaps, for example through having minimum entitlements to limit poverty risks in old age (OECD, 2017).

^{xiii} An extensive review of poverty measurement in Europe is found in Atkinson (1998) and Jenkins (2018). The at risk of monetary poverty concept follows the monetary component of Europe's headline poverty measure, which captures a relative and contemporaneous national living standards concept of the population at risk of poverty in monetary terms. The indicator is defined as the share of those living in a household with an equivalized disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalized disposable income (after social transfers). A before social transfers concept is examined by using equivalized income before social transfers are included but holding constant the risk-of-poverty threshold, allowing for an assessment of the extent to which social transfers support a reduction in the risk-of-poverty.

^{xiv} Female headed households have slightly higher disposable incomes per adult equivalent or per capita than male headed households. However, this difference is partially a reflection of female headed households being more likely to receive social assistance transfers: although 22 percent of households are headed by women, 40 percent of the households receiving social assistance are headed by women. The at risk of poverty rate for female and male headed households closes in TCc after social assistance transfers are considered (World Bank, 2019). In GCc, women continue to be slightly more likely to live in poverty than men after social transfers are considered (EU-SILC 2018, reported by Eurostat using ilc_li09 and ilc_li02 indicators).

^{xv} Social stereotypes at school steer boys and girls into different paths – and feed into education choices, aspirations, views of role in society and into their future (Angeli, MIGS 2018). However, education institutions can be used to counter gender stereotypes through a variety of approaches that challenge or dispel stereotypes, promoting equal participation in activities and encouraging behaviors that may be suppressed, promoting role models, supporting the formation of aspirations and guiding career choices based on interest and abilities. For example, platforms such as She Experts (established by the Mediterranean Institute of Gender Studies) that promote connections to inspirational role models can support shifts in aspirations and connect youth to potential mentors.

^{xvi} In GCc, 7.7 women per 1000 compared to 12.5 men per 1000 were graduates in science, math, computing, engineering, manufacturing and construction in 2018 (Eurostat indicator educ_uoe_grad04), with participation gaps that vary by field of study. However, looking at this from an employment perspective, GCc compares well to the EU average: while men continue to be over-represented among scientists and engineers, 42% of the recorded scientists and engineers in GCc are women, compared to an EU average of 41% in 2018 (Eurostat indicator hrst_st_nsecsex2).

^{xvii} Child-care responsibilities affect the participation of mothers and grandmothers, contributing to the early retirement of women that is highly visible in employment by age profiles. In GCc, the share of children under the age of 3 that receive childcare exclusively from their parents is lower than the EU-28 average, at 32% of children compared to 46% in the EU on average (World Bank analysis using the ilc group of indicators from the EU-SILC 2017 round). However, the share that receive at least one hour of formal childcare (28%) is also lower than the EU-28 average (35%) and GCc has the second highest share of other types of childcare used by under 3's in the EU-28 (51.6%), with the majority of this other childcare provided by grandparents. Moreover, the affordability of childcare is cited as a barrier for many families. The share of children who do not have access to childcare for financial reasons is 39.9% in the GCc compared to 16.2% on average in the EU. In the 2016 European Quality of Life survey, 55.6% of the population signaled it was difficult to combine paid work with care responsibilities with care responsibilities, with 67% of women reporting these difficulties compared to 46% of men. The focus group discussions signaled similar issues in TCc, although quantitative evidence is not available to assess the size of the population that is affected by child-care availability and affordability.

^{xviii} Labor force participation rates decline rapidly after the age of 50 in TCc (see Annex figures), in part reflecting the legacy of earlier Social Insurance Schemes and Civil Service Pension Schemes, which allowed people who satisfied certain criteria to retire at, or below, the age of 50 (Altiok and Jenkins, 2015). While the reformed pension system and introduction of a unified social security pension system shifts the retirement age for new entrants to a minimum age of 60, this remains below the OECD average effective retirement age of 65 for men and 64 for women (OECD, 2018).

^{xix} Participation rates – and gender gaps – vary significantly by age. Analysis was conducted using the HBS 2014/15 in TCc and the LFS 2015 and 2018 in GCc. Participation gaps are lowest for younger women and open up during child-bearing years. Participation gaps are widest for women between 30 and 49, during child-bearing and raising years, and the gap subsequently declines as men and women move towards retirement. In GCc, female labour force participation is higher than men's for 20-24 years old but drops behind after this. In both TCc and GCc, participation rates of both men and women drop considerably after the age of 50.

^{xx} Assessment based on the annual review of leave policies (2019, Leave Network) and the country report for GCc, and from a review of legislation for TCc. Paternity and parental leave could also be extended on the basis of parenthood rather than on the basis of legal union.

^{xxi} See World Bank (2012) and OECD (2017) for related literature.

^{xxii} The gender gap in TCc closes entirely for the youngest cohorts when the share of women who are not working but are ready to work are considered, signaling a readiness to engage in opportunities that emerge among younger women.

^{xxiii} The share of women in self-employment is lower than the share of men in both GCc and TCc, and their motivation for entering into self-employment is also different. In GCc, men are more likely to be self-employed than women (13.8% versus

8.9%) but women were more likely to have started a business out of necessity and due to a lack of other employment options (OECD, 2018). In TCc, working women are half as likely to be self-employed or to be employers than men (9.0% of women who are working, compared to 19% of men; LFS 2018 from SPO) and are also more likely to be unpaid family workers (2.1% compared to 0.1%). GAT and PRIO (2012) note that self-employed women have more restricted access to inputs, such as credit, agricultural inputs and land, than men constraining economic success.

^{xxiv} The assessment also signaled that there are likely knowledge gaps with respect to the assets that are held within the household. Further evidence is needed in this area given the importance of these gaps.

^{xxv} In GCc, overall financial literacy is considered to be limited, with only 37% of adult respondents in a survey of financial literacy having a good financial knowledge proficiency level (Andreou and Anyfantaki, 2019). Financial literacy is associated with better financial decision making, a reduction in the probability of being exploited or deceived, better retirement planning and higher returns on savings (for a more extensive review of the literature, see Andreou and Anyfantaki, 2019). Gender gaps in financial literacy have been observed in both the adult population and those in higher-education (Andreou and Anyfantaki, 2019; Andreou and Philip, 2018). In TCc, a survey of higher education students conducted for a MA thesis found that men outperformed women in financial literacy questions, although the difference in the average score was not statistically significant at the 5% level (Touleu, 2018).