

Instrument of financial support for encouraging the economic development of the Turkish Cypriot community

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The Commission presents the fifth Annual Report 2010 on the implementation of Community assistance under Council Regulation (EC) No 389/2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community. This fifth report covers the period from **1 January until 31 December 2010**. The overall objective of the Aid Programme is to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community with particular emphasis on the economic integration of the island, on improving contacts between the two communities and with the EU, and on preparation for the implementation of the EU law in case of a comprehensive settlement of the Cyprus problem.

Programming of the assistance: under the 2010 budget EUR 3 million was committed for the support of the Committee on Missing Persons (CMP). A programming exercise took place for the allocation of EUR 28 million under the 2011 budget. The external evaluations from 2009 and 2010, internal evaluation and consultations with the stakeholders served as the basis for it.

Implementation during the reporting period: the Aid Programme entered into the phase of fully fledged implementation. Efforts concentrated on monitoring, ensuring projects' sustainability and building up capacity of beneficiaries to take over projects when completed, particularly large scale works and supplies. Lack of experience with regard to the implementation of grant contracts by Turkish Cypriot beneficiaries required training as well as very close monitoring.

The total number of contracts being implemented in 2010 amounted to 984 (works, services, supplies and grants), out of which 200 were closed. In the course of 2010, funding from the Aid Programme provided a major contribution to confidence building measures as de-mining, support to the CMP and the opening of the new crossing point at Kato Pyrgos and Karavostasi (also known as Limnitis/Yeilmak crossing point).

The report goes on to describe progress by objectives, discussing infrastructure development, social and economic development, fostering reconciliation, confidence building measures, and support to civil society bringing the Turkish Cypriot community closer to the EU and preparing the Turkish Cypriot community to implement the *acquis communautaire*. During the reporting period, activities focused on the implementation and monitoring of projects, and the programming of the 2011 funds.

Some challenges mentioned in previous reports are still present. In the reporting period issues affecting the Aid Programme implementation included the following:

- cooperation between Turkish Cypriot and Greek Cypriot communities is necessary to achieve the goal of the Aid Programme, but needs time and support through different activities;
- there is low absorption capacity by the beneficiary community: Building up capacity is a long-term process. However, there is continuous improvement with progress on projects implementation;
- lack of experience with EU procurement rules delays the implementation of grants. The beneficiaries are assisted by the Programme Team and technical assistance teams to gain the experience;
- there are risks to the sustainability of the large infrastructure, which requires the Turkish Cypriots to make available the necessary skilled staff and funds;

- insufficient site preparation in energy and telecom projects caused delays;
- Commission staff reductions due to budgetary constraints require strict priority setting and reallocation of staff resources to ensure adequate monitoring and presenting risks to the ability to communicate on the achievements of the programme.

Financial execution (contracts and payments): EUR 2.5 million of the 2009 **commitments appropriations** was available out of which 78% was contracted. 106 new contracts for scholarships 2010/2011 and schools have been signed. In 2006-2010 the total allocation for this Aid Programme amounted to EUR 264.5 million.

With regard to **payments**, the Commission disbursed EUR 62.7 million in 2010, around 18% lower than foreseen in the initial planning. This was due to the late start of the seawater desalination project of EUR27.5 million and rural development grants of EUR 4 million in total. A total of EUR 132 million (52% of the overall contracted amount) was disbursed by the end of 2010.

Evaluation: in 2010 mid term sectoral evaluations were carried out in the civil society and rural development sectors. The conclusion underlined the necessity of continuous multiannual funding to ensure sustainability of on-going projects.

Lastly, the report notes that as regards the verification of property ownership, the Commission relied in 2010 on continued co-operation with the relevant services of the Government of the Republic of Cyprus, in particular with regard to being able to proceed with the rehabilitation of the old dumpsite near Kato Dhikomo/Aa Dikmen partly located on land owned by Greek Cypriot private owners.