Special report 6/2012 (2011 discharge): European Union Assistance to the Turkish Cypriot Community

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The Committee on Budgetary Control adopted the report by Ivailo KALFIN (S&D, BG) on Special Report No 6/2012 (discharge 2011) - 'European Union Assistance to the Turkish Cypriot Community'.

Turkish Cypriot assistance programme: Members recall the historical context of this European programme. They recall that the existing de facto division of Cyprus dates back to Turkey's military invasion of the northern part of the island in July 1974. As a result of the events of 1974, the vast majority of Greek Cypriots and Turkish Cypriots live separately, on their respective sides of the buffer zone, and that the **resulting property issue** has been **one of the most difficult problems to solve** as part of the ongoing efforts to reach a settlement. The report acknowledges that a particular issue concerning the smooth implementation of the programme relates to the fact that an estimated 78% of privately owned land in the northern part of Cyprus legally belongs to Greek Cypriots, whose consent is required for Union-funded infrastructure investments on their land. It is essential to find a **comprehensive solution of the Cyprus problem** and the support of future reunification plans.

Furthermore, the report states that the whole island is legally part of the Union for the purpose of Protocol 10 of the Act of Accession, yet the acquis communautaire is suspended in the northern part of Cyprus, an area over which the Government does not exercise effective control. The objective of the programme, by virtue of Regulation (EC) No 389/2006, is for the Union to facilitate the **reunification of Cyprus** and the granting of assistance shall not imply recognition of any public authority other than the Government in the areas in which the government does not exercise effective control. This means that the Commission has to work within a difficult political context when providing capacity building to beneficiaries.

Audit of the programme and the findings of the Special Report of the Court of Auditors: Members observe that the sample of 34 contracts selected from nine of the main projects out of 24 projects funded through the programme and covering all five policy objectives of Regulation (EC) No 389/2006 concern (developing and restructuring of infrastructure, promoting social and economic development, fostering reconciliation, confidence-building measures and support to the civil society, bringing the Turkish Cypriot community closer to the Union and preparing for the introduction and implementing the acquis communautaire upon the reunification of Cyprus. They note that aid under the instrument of financial support for encouraging the economic development of the Turkish Cypriot community has amounted to EUR 259 million for the 2006-2011 period and that it is currently relying on annual allocations of EUR 28 million.

Members agree that the programme has already achieved some **positive results** but their **sustainability is often in doubt**, particularly given the uncertainty over future EU funding and issues of decentralised management.

Overall, Members take note of the conclusions and recommendations of Special Report 6/2012 (*please refer to the summary of the report dated 23/05/2012*). They do, however, highlight that it is necessary to continue to support the reunification process in Cyprus and to keep pursuing the objectives of Regulation (EC) No 389/2006, supporting among others, **bi-communal measures**.

Member also takes note of the Court of Auditor's recommendations which cover different scenarios, based both on developments in the reunification process and the level of the future Union assistance.

Parliament's observations: Members note with concern that the Commission is faced with significant constraints in the establishment and implementation of the programme, that the effectiveness of the Commission's local support office has been undermined by several factors. They regret the **loss of the seawater desalination plant project**, which was an unfortunate setback (this project was the largest project amounting to approximately 10% of total contracted funding) due to restrictions imposed on the Greek Cypriot contractor by the Turkish army, and once these restrictions were lifted in March 2010, the contractor was unwilling to continue the work. Although the Commission’s financial interests have been protected (no payments have been made under the construction contract), Members deeply regret that delays have affected most of the actions on local and urban infrastructures.

Conclusion: Members endorse the conclusions of the Court of Auditors that the programme has already achieved some positive results and assisted many beneficiaries across the Turkish Cypriot community even if its sustainability is often in doubt, particularly given the uncertainty over the future EU funding. They stress the transitional and exceptional character of Union aid to the Turkish Cypriot community, pending the reunification of Cyprus. They note that the **Commission supports the continuation of assistance to the Turkish Cypriot community** until there is a comprehensive settlement of the Cyprus problem.

Members recommend the Commission to take into consideration the accumulated experience in the implementation of the programme and, if necessary, propose measures for its further improvement and inform Parliament accordingly. It should keep pursuing the five objectives of the current Regulation. Lastly, they ask the Commission to maximise the circulation of information on tenders for reconciliation and civil society strengthening programmes.