

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

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The Commission presented its 10th annual report (2015) 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.

Programming of the assistance: between 2006 and the end of 2015, EUR 402 million was programmed for operations under the Aid Regulation. The amount committed in December for **the 2015 annual programme was EUR 32 337 900.**

The Multiannual Financial Framework (MFF) 2014-20 provides a multi-annual perspective to the programme with a provision for stable, annual funding. The assistance programme is, however, temporary in nature.

General overview of implementation in 2015: the Commission continues to implement the Aid Regulation with the overall aim of supporting **reunification**. The Commission stood ready to adapt the programme as a result of any agreements reached and action was taken to finance the opening of two new crossing points proposed by the two leaders as a confidence building measure.

The operations in 2015 included the continuation of a number of established and successful projects, for example **confidence building measures** (support to the Committee on Missing Persons and protection of cultural heritage) and EU scholarships.

New impetus has been given in a number of fields with the conclusion of substantial technical assistance (TA) contracts and consistent technical support will be particularly crucial in the period preparing for the settlement.

However, the report stated that significant gaps in the capacity of beneficiaries still exist. Extensive adaption will be required before the acquis can be implemented, but the TCc now has a firmer understanding of the challenge.

Financing: grant support is an important element of the programme. Given the importance of relatively small grants for most of the potential beneficiaries, the Commission continues to seek solutions to help ensure that grants reach the beneficiaries in a timely and efficient manner. This includes outsourcing, and the Commission has expanded the indirect management component in the 2015 programme.

The popular **scholarship grant programme was extended until 2020** through a new Delegation Agreement with the British Council.

One continuing troublesome issue has been the contract for the construction of the Famagusta sewage network, which was terminated in December 2013 by the Commission and for which neither the dispute nor the arrangements for project completion have been resolved. In addition, a boycott by local contractors has affected tendering for other projects.

At the end of the year, **284 contracts were running**. This number has dropped significantly in recent years due to completion of activities funded by older programmes and closure or changes in management mode of grant contracts.

As to Commission's specific activities, the Commission reaffirmed its support for reunification.

Main conclusions: the Commission remains committed to supporting the settlement process under the United Nations auspices. It continues to deliver assistance under the Aid Regulation to facilitate the reunification of Cyprus by **encouraging the economic development of the Turkish Cypriot community, by working under its six objectives**.

During 2015, assistance brought closer focus on areas that present particular problems in future acquis compliance, in particular the **environment and animal health**.

In view of the low capacity and lack of resources of the beneficiary in many fields and gaps in readiness for the future acquis roll-out, **project sustainability** must be carefully considered.

The Commission remains active in supporting particular projects for periods after the hand-over to beneficiaries. **Major infrastructure and plant** that has been delivered is, however, now operating and maintained successfully by the beneficiaries.

The Commission concludes that it is necessary to quickly respond to the needs of the beneficiary becomes ever more important as the settlement talks evolve.