

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

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The Commission presented its twelfth annual report (2017) 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 (TCc).

The overall objective of the aid programme is to facilitate the reunification of Cyprus by encouraging the economic development of the TCc, 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 *acquis*.

**Financial programming:** between 2006 and the end of 2017, **EUR 485 million** was programmed for operations under the Aid Regulation. The amount committed in December 2017 for the 2017 annual programme was EUR 34 836 240. Assistance is implemented primarily through direct management by the Commission, but some projects are indirectly managed by the United Nations Development Programme (UNDP), the European Bank for Reconstruction and Development (EBRD) or the British Council.

**Contracting:** the Commission signed legal commitments in 2017 amounting to EUR 23.2 million (compared to EUR 15.5 million in 2016).

Payments in 2017 were EUR 17.2 million (EUR 21.4 million in 2016).

**General overview of implementation in 2016:** the Commission continues to implement the Aid Regulation with the overall aim of supporting reunification. Operations in 2017 included the continuation of a number of established and successful projects, such as EU scholarships and confidence building measures in support to the Committee on Missing Persons and to the Technical Committee on Cultural Heritage.

Assistance provided to key economic sectors preparing for a settlement was reinforced through projects for the development of the private sector and rural areas as well as human resources development. Efforts towards tangible improvements in the area of animal diseases eradication and food safety continued.

**Considerable gaps** in the capacity of the beneficiaries to effectively implement the *acquis* still exist and the adoption of many legal texts remains pending.

**Grant support** remains an essential element of the programme.

One continuing issue has been the **construction of the Famagusta sewage network**, the contract for which was terminated in December 2013 by the Commission. The dispute with the former contractor has been brought to arbitration as all options for an amicable settlement had been exhausted. In parallel, the related **repair works will be tendered in 2018**.

At the end of the year, 274 contracts were overall running under the Programme.

**Progress by objectives:** the report notes the following:

- in the **water sector**, the design and the tender dossier for the construction of a new trunk sewer to convey waste water of Nicosia to the bi-communal waste water treatment plant (WWTP) in Nicosia have been finalised;
- the tender dossier for the necessary remedial works to the Famagusta sewage networks was drafted and the Works tender is to be launched in early 2018. Preparatory activities were initiated for the first phase of the **decommissioning** of the old Nicosia WWTP and for setting up of a bicycle-walking path along the Pedieos river;
- the Technical Assistance to the Private Sector (TAPS) project, launched in November 2015, was extended to September 2018. This project aims at promoting private sector growth and job creation.
- in the period 2006-2018 the EU contributed with a total of EUR 22 million which amounts to 80% of the overall funding provided to the **Committee on missing persons**;
- the high demand for **information on the EU** in the TCc continued in 2017. The EU Infopoint started functioning in early 2015 and the project was extended in July 2017 until January 2020 with a total budget of EUR 3 million. It generated a high level of visibility for the EU, its policies and the aid programme;
- the Commission's Technical Assistance and Information Exchange (TAIEX) instrument is used to implement objectives 5 and 6 of the Aid Regulation. Assistance continued in 2017 and new experts were selected in 17 main areas. In total, the number of events organised in 2017 was 118.

**Main conclusions:** the Commission continues to deliver assistance under the Aid Regulation to facilitate the reunification of Cyprus and stands ready to support settlement negotiations under UN auspices as needed. During 2017, assistance continued to focus on areas that present **particular problems with future acquis compliance**. In view of the capacity constraints, limited human and financial resources and gaps in readiness for the future acquis roll-out, the sustainability of projects must be carefully considered. The track record of past assistance and the maturity of projects will be continuously reflected in future programming exercises.