

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

2004/0145(CNS) - 21/10/2004 - Modified legislative proposal

The overall objective of the proposal for a Council Regulation establishing an instrument of financial support is to provide assistance to the Turkish Cypriot community with particular emphasis on economic development, on the economic integration of the island and by improving contacts between the two communities and with the EU in order to facilitate the reunification of Cyprus. The considerable amount of EUR 259 million available (to be committed over 2004-2006 and to be implemented until 2009) requires specific means of management and implementation of the assistance.

According to Article 3 of the proposal the Commission shall be responsible for administering the aid. Article 5 of the proposal provides for different ways of implementation according to the rules set down in Title IV of part 2 of Council Regulation 1605/2002. The aid in the field of infrastructure projects will focus inter alia on power plants, waste and water management, renovation and development of transport projects including links connecting the two sides of the island. It is therefore obvious that a large part of the funds will be used for infrastructure investments. The best solution appears to be to entrust the European Agency for Reconstruction (EAR) with the implementation of assistance. The EAR was set up in the aftermath of the Kosovo crisis to manage the EU's assistance to UN administered Kosovo. Its mandate covers the full project cycle, from identification (including preparatory studies) to final payments, monitoring and evaluation of projects under its responsibility. The EAR is Contracting Authority on behalf of the Commission (and eventually of other donors). It has got legal personality and is legally fully responsible vis-à-vis third parties (e.g. staff, contractors, beneficiaries). Since its establishment, the mandate of the EAR was extended already twice: in late 2000 to the Republic of Yugoslavia (today State Union of Serbia & Montenegro), and in late 2001 to the former Yugoslav Republic of Macedonia. On 28 June 2004 the Commission proposed to extend the Agency's mandate to the countries concerned for another two years until 31 December 2006. The mandate of the EAR could be extended further to cover also the northern part of Cyprus.