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ANNEX II

The annex to Commission Implementing Decision C(2013) 7969 of 19 November 2013 adopting the 2013 Aid Programme for the Turkish Cypriot community is amended as follows:

1) Section 1 is replaced by the following:

1. IDENTIFICATION

Beneficiary	Turkish Cypriot community
CRIS decision number	PHARE/2013/024-626
Year	2013
EU contribution	EUR 31 million
Implementing Authority	European Commission British Council by centralised indirect management (Project 4) UNDP by Joint Management (parts of Project 3)
<u>Final date for concluding Procurement contracts, grant contracts, delegation and contribution agreements</u>	3 years following the date of validation of the budgetary commitment, with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for contract implementation	6 years following the date of validation of the budgetary commitment 7 years following the date of the validation of the budgetary commitment for contracts under Project 1
Final date for programme implementation	10 years following the date of validation of the budgetary commitment
Budget line(s) concerned	22.02.07.03
Programming Unit	SRSS.05 Cyprus Settlement Support
Implementation Unit	SRSS.05 Cyprus Settlement Support

2) Section 2 is amended as follows:

a) the first paragraph of subsection 2.2. is replaced by the following:

"The programme choices for 2013 are based on the objectives of the Aid Regulation. Input was taken from Turkish Cypriot stakeholders and from relevant evaluations, audits and needs assessments conducted mainly in 2012. The views of the authorities of the Republic of Cyprus were also taken into account. The areas included in the 2013 programme are: technical assistance and preparatory activities for water supply and wastewater collection, strengthening of farm extension services, animal and plant health (including diagnostic facilities and metrology), private sector support, lifelong learning and scholarships for students and professionals. In addition, support to the Technical Committee on Cultural Heritage and to the Committee on Missing Persons will continue, along with TAIEX activities to prepare for the future application of the *acquis*."

b) In section 2.3, PROJECT 1, PROJECT 2 and PROJECT 3 are replaced by the following:

"PROJECT 1 (EUR 1.4 million): The development and restructuring of infrastructure

Project objective: Aid Regulation objective 1 (see 2.1)

Main results and expected main activities:

Achieving the objective of *development of infrastructure* requires coverage of many sectors and considerable resources for relatively expensive projects. Since 2006, EUR 137 million, equivalent to 44% of the operational budget, has been allocated to this objective. Large facilities and installations in water distribution, wastewater collection and treatment, solid waste management, telecommunications and energy have been handed over or are close to completion and a substantial impact from these investments is anticipated. While further investments are still necessary, the costs of operation and maintenance of recently delivered plant and equipment now fall on Turkish Cypriot beneficiaries and a period of consolidation is necessary to ensure effective use and sustainability. Two critical areas, subject to considerable regulation under the *acquis*, but for which no activities are proposed in the 2013 programme are road transport and solid waste management. In these sectors, the Commission is waiting for Turkish Cypriot community policy decisions or the establishment of management capacity sufficient to deal with current and future investments. Consequently, Project 1 for 2013 includes a limited programme, covering only water/wastewater:

Water and wastewater

The water sector remains a critically important one, considering water scarcity on the island, deterioration of aquifer quality and the stipulations of the *acquis* requiring wastewater collection, treatment and discharge systems for population concentrations. Continued support to the water sector was one of

the recommendations of the European Court of Auditors in 2012 and a sector assessment in 2012 has prioritised potential investments, which were discussed during two water workshops.

The highest priority intervention identified in the 2012 sector assessment was a new trunk sewer from Kioneli/Gönyeli, northwest of Nicosia to the new wastewater treatment plant (WWPT) at Mia Milia/Haspolat to the northeast of Nicosia. However, due to cost increases detected at the time of tender preparation and arising from changes on the sewer main alignment to mitigate property ownership issues the total increased financing of this project will be covered from savings and reallocations within the Action Programmes for the Turkish Cypriot community for the years 2014 and 2015.

Construction or replacement of water and wastewater networks has been an important part of the programme so far, limited by lack of budget. Much remains to be done and the 2013 programme also includes an allocation for continuing this network updating and carrying out emergency interventions where necessary, particularly for leak reduction.

Implementation modalities: The project will be implemented by centralised management

Procurement: Global amount EUR 1.4 million

It is expected that 3 service and 1 works contracts will be awarded.

The indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Services: 4Q13, 4Q13, 1Q15

Works: 1Q15

PROJECT 2 (EUR 6.9 million): The promotion of social and economic development

Project objective: Aid Regulation objective 2 (see 2.1)

Main results and expected main activities:

Substantial investments have been made for a very wide range of topics in this area since 2006, totalling EUR 90 million, largely through a number of grant schemes to farmers, schools and SMEs and for community development. Grant contracts from earlier calls are still underway and new schemes for rural development, SMEs, civil society and community development were launched in 2012 or will be launched in 2013. Apart from grants, technical assistance has been delivered to farmers, veterinarians and other rural development counterparts and there has been TA in support of the private sector, vocational education and training, lifelong learning and labour market reform. A World Bank study is delivering macroeconomic, financial, and competitiveness data. Rural and urban infrastructure improvements have also been made and equipment delivered for purposes ranging from irrigation to laboratory analysis. The 2013 programme will concentrate on the following areas:

Assistance to strengthen Farm Advisory Services

The requirements for farm advisory services are described in new *acquis*-compliant draft legal texts. Farmers do not currently have access to any satisfactory advisory service on efficient and safe farming methods. This will be addressed in the 2013 programme by a grant scheme intended to support a small number of suitable associations or agricultural organisations in providing extension services and, in parallel to this, technical assistance will be provided to develop the capacities consistent with the requirements of the draft legal text. A small quantity of supplies is also likely to be necessary.

Equipment of the phytosanitary laboratory and improvement of the laboratory capacity

Facilities for detection of diseases and pests in plant and crops are inadequate or totally lacking and this has a significant impact on the potential for trade. Under current arrangements, TAIEX experts are used to certify potato crops for Green Line trade. The Turkish Cypriot community has allocated a 2013 budget for construction of a dedicated phytosanitary laboratory building. The EU will supply appropriate laboratory equipment including for mycology, bacteriology, virology, entomology and seed quality control. Besides the requirements of the new phytosanitary laboratory, there is a general need for capacity building and further training on analytical methods in several laboratories working in the areas of water, food and feed, soil and environment. This will continue and consolidate training already given in some areas and allow more effective and sustainable use of equipment already supplied. Roll-out of the EU *acquis* following settlement of the Cyprus problem will increase the demand for reliable and traceable data.

Schools and lifelong learning associations

Many schools in the northern part of Cyprus, particularly at primary and secondary level, have very limited budgets and are struggling to modernise and even to maintain standards. For many, the main hope of additional resources has been access to EU grants, but the level of support has been relatively small in recent years (the 2011 programme has resources to support only about 11 grantees). The 2013 programme will provide additional grants to integrate EU education approaches and empowerment to innovate. An additional dimension for 2013 will be expansion to a "lifelong learning" programme, including associations and chambers that can demonstrate a contribution to improvement of skills at any stage of the learning path.

Private sector support

Future prosperity of the Turkish Cypriot community will depend heavily on a strong business environment. Considerable efforts have already been made in support of the private sector, in terms of training, Technical Assistance and grant delivery, but enterprises remain, on average, small and unsophisticated. The 2013 assistance will continue to assist the Turkish Cypriot Chambers (of Commerce, Industry, Shopkeepers and Artisans) and KOBIGEM (the centre for SME development) to deliver services for business development and will also investigate the role of educational bodies and potential business incubators to stimulate start-ups. The potential for bi-communal private sector initiatives will be studied, collaborating with the bi-communal Technical

Committees where possible, particularly those on Environment and Trade and Commerce. Experts will provide training on business ethics, corporate governance and other EU best practices.

Implementation modalities: The project will be implemented by centralised management.

Procurement: Global amount EUR 3.9 million
It is expected that 3 service contracts will be awarded.

The indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Advisory TA: 2Q14
Laboratory: 1Q14
Metrology: 2Q14
Private sector support: 2Q14

Grant – call for proposals: Global amount EUR 3 million

Essential eligibility criteria:

1) Farm advisory services:

The types of actions eligible are those providing support, advice and training to farmers (see 2.3).

The maximum possible rate of EU co-financing for grants under this call is 80%.

Indicative amount of the call: EUR 1,500,000.

Indicative date for signing of contracts: 2Q15.

2) Schools and lifelong learning associations:

The types of actions eligible are those contributing to lifelong learning and improvement of skills at any stage of the learning path (see 2.3).

The maximum possible rate of EU co-financing for grants under this call is 90%.

Indicative amount of the call: EUR 1,500,000.

Indicative date for signing of contracts: 1Q15

For both grants calls:

Applicants should be established in the northern part of Cyprus

Entities may be natural or legal persons.

Essential selection criteria are financial and operational capacity of the applicant.

Award criteria are relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

The maximum possible rate of EU co-financing may be up to 100% in accordance with Article 192 of the Financial Regulation if full funding is essential for the action to be carried out. The necessity for full funding will be justified by the responsible authorising officer in the award decision, in respect of principles of equal treatment and sound financial management.

PROJECT 3 (EUR 11.2 million): Reconciliation, confidence building measures, and support to civil society (objective 3)

Project objective: Aid Regulation objective 3 (see 2.1)

Main results and expected main activities:

This is a vital element at the heart of the Aid Programme covering the reconciliation efforts and confidence building towards an eventual settlement. Two areas which are truly bi-communal and where established committees with members from both communities are in a steering role are the protection of cultural heritage and work on identification of remains of the victims of the events of 1963-64 and 1974. The role of civil society is crucial both with regard to the ultimate goal of reunification and to ensure accountability which is also important for sustainability.

Cultural heritage

The *de facto* division of the island has hindered a common approach to managing cultural heritage protection. In 2008, the leadership of the two communities in Cyprus agreed on the establishment of working groups and technical committees. One of them is the bi-communal Technical Committee for Cultural Heritage creating a platform for work on the protection of the cultural heritage island-wide. A 2010 study, requested by the European Parliament, examined conditions and estimated restoration costs and an inventory of approximately 2800 sites was made. Around 250 sites were ranked and about 120 detailed technical assessments were made.

EU contributions under the Aid Regulation started in 2011 and are implemented via Contribution Agreements with the UNDP covering, so far, a priority list of 12 sites, including the Othello Tower in Famagusta. Intervention on these sites is primarily for the purposes of stabilisation to prevent further deterioration or collapse. The 2013 programme will continue the support to the Technical Committee including where possible complete rehabilitation of small monuments, rather than just emergency works. In addition, assistance will be given to the Committee to make links with other groups carrying out cultural heritage protection work for the purposes of confidence building to share experience and explore how the reconciliation benefits can be magnified.

It is important to maintain momentum with this project, to take advantage of the expertise built up and to intervene as quickly as possible in many cases to stabilise or restore structures. A further allocation is therefore made for works to be implemented through UNDP according to the priority list established by the TCCH.

The Cultural Heritage project will be implemented through joint management with UNDP according to Article 53d of the relevant Financial Regulation.

Committee on Missing Persons (CMP)

Project 3 also supports the CMP to establish the fate of those persons declared missing by both communities as a consequence of the tragic events of 1963-64

and 1974. The Committee has no mandate to establish the cause of death or attribute responsibility. The CMP aims to bring a sense of closure to their families and end a painful chapter in the history of the island. This is further encouraged by the participation of bi-communal scientific teams at all stages of the process e.g. in undertaking awareness sessions on the CMP in high schools in both communities. The CMP has overcome bottlenecks encountered in past years: it has doubled the laboratory capacity for anthropological identification; it has contracted the International Committee on Missing Persons (ICMP) for DNA analyses at the ICMP facilities in Bosnia and Herzegovina to speed up DNA analysis; it has hired an identification coordinator to accelerate the cooperation between the teams in the project, and importantly it has succeeded in obtaining access to areas under military control. The 2013 financial allocation will support ongoing activities and will accentuate the reconciliation and awareness aspects. An impact assessment of the CMP activities, to be carried out in 2013, will deliver input for the preparation of the Contribution Agreement where project details will be described.

The CMP project will be implemented through joint management with UNDP according to Article 53d of the relevant Financial Regulation.

Civil Society

The third component of Project 3 is strengthening of the organisations and role of civil society in the Turkish Cypriot community. A technical assistance programme providing support to NGOs in strategizing, planning, networking and communication finished in early 2011. The challenge of making NGOs, particularly fledgling organisations, sustainable remains, however, and further technical support will be provided to reinforce and continue training in these areas and also to facilitate links with EU-wide NGOs and NGO networks, both to introduce EU values and to integrate Turkish Cypriot civil society into the wider Union. In parallel, a grant scheme funded under the 2011 and 2012 programmes will provide direct support to NGO beneficiaries. Dedicated Project Management Unit (PMU) assistance to grant beneficiaries on grant procedures and administration will be provided through a service contract for all grant schemes together (see Support Facility below).

Implementation modalities: The project will be implemented by centralised management

Procurement: Global amount EUR 11.2 million

It is expected that 2 Contribution/Delegation Agreements and 1 service contract will be awarded.

The indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Service contract launch: 3Q14

CMP Contribution Agreement signature 1Q14 with extension 4Q14, Cultural Heritage Contribution Agreement signature 3Q14 with extension 4Q14."

4) In section 3, subsection 3.1 is replaced by the following

3.1. INDICATIVE BUDGET TABLE

	EU contribution		Local contribution		Totals	
	MEUR (a)	% ⁽¹⁾	MEUR (b)	% ⁽¹⁾	MEUR (c)=(a)+(b)	% ⁽¹⁾
Project 1	1.4	4.6			1.4	4.6
Project 2	6.9	22.3			6.9	22.3
Project 3	11.2	36.1			11.2	36.1
Project 4	4.0	13			4.0	13
Project 5	2.5	8			2.5	8
Programme support & reserve	5.0	16			5.0	16
TOTAL	31.0	100	0		31.0	100

(1) as % of total expenditure

There is no local contribution at programme level i.e. grant co-financing is not included in the table above.