

ANNEX: 2012 Aid Programme for the Turkish Cypriot community

1. IDENTIFICATION

Beneficiary	Turkish Cypriot community
CRIS number	PHARE/2012/24-078
Legal basis	Instrument of financial support for encouraging the economic development of the Turkish Cypriot community (Council Regulation (EC) N° 389/2006 of 27.02.06 ¹)
Year	2012
Cost	EUR 27.2 million
Implementation	By the European Commission on a centralised basis under Article 53a of the Financial Regulation ² with the exception of some components, which will be implemented according to Article 53d of the Financial Regulation (joint management with the United Nations Development Programme)
Final dates for contracting	Individual legal commitments shall be concluded no later than three years following the date of the budgetary commitment in accordance Article 5 of the Aid Regulation No. 389/2006, with the exception of contracts for audit and evaluation according to Article 166(2) of the Financial Regulation
Final dates for execution of contracts with exception of contracts for audit and evaluation	6 years following the date of the budgetary commitment with exception of contracts for audit and evaluation
Final dates for programme completion	8 years following the date of the budgetary commitment
Sector Code	15150, 32130, 41030, 15220, 91010, 92030, 11420, 11430, 14050, 14020, 21010, 31195, 41040, 43081
Budget line(s) concerned	22.02 07 03
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¹ OJ L 65; 7.3.2006, p. 5.

² OJ L 248, of 16.9.2002, p.1.

2. PRIORITIES FOR EU ASSISTANCE

This Programme is for the continuing implementation of the Assistance Programme for the Turkish Cypriot community following the legal basis of Council Regulation 389/2006, the "Aid Regulation", which establishes an instrument of financial support for encouraging the economic development of the Turkish Cypriot community. The programme commenced in 2006 with a financing allocation of EUR 259 million and additional funding of EUR 2.5 million in 2009, EUR 3 million in the 2010 and EUR 28 million in 2011.

The measures financed under the Aid Regulation focuses on the economic integration of the island and on improving contacts both between the two communities and with the European Union in order to facilitate the reunification of Cyprus. The 2012 programme will address each of the six objectives of the Aid Regulation as laid down in Article 2:

- 1. The development and restructuring of infrastructure, in particular in the areas of energy and transport, the environment, telecommunications and water supply;*
- 2. The promotion of social and economic development including restructuring, in particular concerning rural development, human resources development and regional development;*
- 3. Reconciliation, confidence building measures, and support to civil society;*
- 4. Bringing the Turkish Cypriot community closer to the Union through inter alia information on the EU political and legal order, promotion of people to people contacts and Community scholarships*
- 5. The preparation of legal texts aligned with the *acquis communautaire* for the purpose of these being immediately applicable upon the entry into force of a comprehensive settlement of the Cyprus problem;*
- 6. Preparations for the implementation of *acquis communautaire* in view of the withdrawal of its suspension in accordance with Article 1 of Protocol No 10 to the Act of Accession.*

2.a Priorities selected under this programme

Within the wide objectives of the Aid Regulation and considering both the programme to date and the relatively modest allocation for 2012 (compared with the start-up programme in 2006), a focus on certain intervention areas is necessary. Large investments, particularly in infrastructure, of the scale of those financed under the 2006 programme, are not possible in the 2012 programme and, in any case, many infrastructure projects funded by the 2006 programme, mostly contracted in 2009, are still running, with a number of contracts to be completed in the period 2012-13. Topics selected for 2012 are those that have high value in terms of reconciliation and confidence building, those that are particularly important for future *acquis* compliance or those where continuity is required for obtaining longer-term objectives and sustainability of previous interventions.

One of the features of the assistance programme to the Turkish Cypriot community is that there is no recognised beneficiary and therefore no Financing Agreement. The

political nature of the programme demanded an outreach to a variety of Turkish Cypriot stakeholders in the community and in particular many non-public actors. The past programmes therefore were implemented through a significant number of grant contracts following calls for proposals. This need remains, but has to be balanced against the staff-intensive nature of administering relatively small grants. Some parts of the programme are implemented through Contribution Agreements (joint management) with UNDP, which has a strong track record in managing bi-communal activities and good technical experience in a number of areas. Where grants are used, the selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants.

2.b Sectors selected under this programme and donors' coordination

The programme choices for 2012 are based on the objectives of the Aid Regulation and have been developed following a series of stakeholder consultations and workshops held in between December 2011 and February 2012 with Turkish Cypriot beneficiaries. Input was also taken from evaluation and audits carried out since 2009, including the European Court of Auditors (ECA) performance audit of 2011³. The views of authorities of the Republic of Cyprus were also taken into account. The programme also takes stock of results achieved under previous programmes in particular the 2006 one which is nearing completion in 2012/2013.

Apart from the EU assistance programme, there is little donor intervention in the northern part of Cyprus. USAid has funded interventions in the economic sector and civil society. USAid funding for civil society is implemented via UNDP, which already implements some of the EU-funded activities. USAID is decreasing its assistance to the northern part of Cyprus.

The sectors selected for the 2012 programme are: water supply and wastewater, solid waste and environment, road transport and safety, rural development (with a particular focus on eradication of animal diseases), civil society and reconciliation as well further work with regard to alignment with the EU *acquis* in a variety of areas. The Aid Regulation requires annual reporting to the Council and the European Parliament and, for this purpose, the programme is structured with allocations and projects following the Aid Regulation objectives.

There are a number of areas, which were previously supported, but are not a focus of the 2012 programme (schools, education reform, energy, telecoms, grants to SMEs, village development and demining). This is partly due to budget restrictions, but also because projects in these areas are ongoing or have been completed without clear follow-up opportunities. In some cases, the necessary regulatory framework must be advanced by the Turkish Cypriot community before further EU funded interventions can be conceived.

³ European Court of Auditors Special Report No. 6, 2012: European Assistance to the Turkish Cypriot Community

2.c Description of projects and/or other implementation modalities under each sector

Project 1: The development and restructuring of infrastructure (towards objective 1)

The objective of *development of infrastructure* under the Aid Regulation is quite wide, covering many sectors and considerable allocations have already been made since 2006 (EUR 129 million, equivalent to 44% of the complete programme up to 2011). Many of the infrastructure and equipment investments (water and sewerage networks, waste water treatment plants, landfill infrastructure, telecommunications and power equipment) are being completed and handed over and a period of consolidation is now necessary to ensure satisfactory commissioning and operation. There are a number of cases where the beneficiary has not yet mobilised sufficient resources to ensure sustainability of these investments and for this reason significant infrastructure or equipment has not been included in the 2011 or 2012 budget. In any case, the level of the 2012 budget does not permit significant, further infrastructure activities.

Water and wastewater

One area, however, that is of critical importance is the water sector, where the problem has been accentuated by the fact that the EUR 27 million Sirianokhori/Kumköy desalination plant project has not been realised. This plant was intended to supply 100,000 people. 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 the necessary investments. The programme for 2012 will focus on ensuring the sustainability of the on-going infrastructure projects and on complementary investments that are necessary for their operation and maintenance, eventually leading to improvements in service delivery. It will include study and construction for re-use of the effluents of the wastewater treatment plants, pipe replacements (where possible) and repairs to networks or networks extensions, and provision of the necessary equipment.

The TA contracts supporting the work in the water and waste sectors (below) will come to an end in 2012-13. It will be necessary to retender assistance in these important areas to continue capacity building, training and plan future interventions. Technical assistance will be targeted to cover the issues pertaining to this objective, including regulatory aspects.

Solid waste

In the area of solid waste, the new, EU-funded landfill in Koutsoventis/Güngör landfill site started operation in 2012. Following a sector review being undertaken in 2012, a small treatment facility could be needed to treat leachate water from the landfill currently treated through evaporation. In addition, there is a requirement for modern trucks to augment the fleet to be used for transport of waste to the new, centralised landfill. There is the need to further upgrade the Medical Waste Sterilisation Facility completed as a pilot project in 2011. A provision has been made for these purposes to maximise the sustainability of previous EU investments in this field.

Nature protection

A works' contract for provision of information and management centres in four Special Environmental Protection Areas was terminated by the Commission in 2011 due to poor contractor performance. It is important to complete the construction and hand the project over to the beneficiary. This will be addressed from the 2012 programme. The intention

is that this component of Project 1 will be implemented in joint management with UNDP according to Art. 53d of the Financial Regulation.

Road transport

Finally, there is a need for technical assistance to study and potentially extend the intervention in the field of road transport and road traffic. There is a substantial amount of EU-compliant "legislation" currently being drafted for the Turkish Cypriot community for vehicle categorisation, vehicle testing and vehicle and driver licensing. The current poor technical and legal framework is also one of the limiting factors in Green Line trade (no access for heavy vehicles to the government controlled areas except for those complying with the Republic of Cyprus rules and procedures) and a contributor to road accidents.

It is planned that project 1 will be implemented through one service contract, 3-5 small works or supply contracts and one contribution agreement with UNDP.

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

Works/supplies: 1Q13 (EUR 2,000,000), 1Q13 (EUR 1,000,000), 2Q13 (EUR 1,000,000), 2Q13 (EUR 600,000), 3Q13 (EUR 1,000,000)
Services: 1Q13 (EUR 1,900,000)

Project 2: The promotion of social and economic development (towards objective 2)

This has been a major area of intervention so far in support of the Turkish Cypriot community (29% of the allocation from 2006-2011), with substantial investments in particular in grants for farmers, community development, schools, students and SME competitiveness and also in village infrastructure improvements. Grant contracts from earlier calls are still underway and two new grant schemes for rural development, launched in 2012 (from the 2011 budget) will run at least until 2014. The 2012 project will, by comparison, be more restricted and will concentrate on three areas:

Eradication of animal diseases

A number of animal diseases represent a public health concern. They can also be considered as an economic burden and commercial constraint. Some of them are zoonoses (infectious diseases that can be transmitted between species from animals to humans) and pose a risk to human health for the population of the whole island. The Turkish Cypriot community has requested attention to this with high priority. Disease eradication plans for tuberculosis in cattle, brucellosis in cattle and in small ruminants, blue tongue in cattle, maedi-visna in sheep and goats, scrapie in sheep and echinococcosis in cattle have already been prepared with EU assistance.

Success in these eradication programmes is feasible, but requires uninterrupted attention and commitment from the beneficiary and a long-term adherence to the eradication strategies. Prerequisites to the eradication of animal diseases include proper farm register animal identification and completion of a suitable and well-maintained database. Identification should be completed before the phase of epidemiological surveys occur, or at least, go hand in hand. The animal identification database is being assessed with support from TAIEX and limited equipment, software or trainings will then be supplied under EU assistance. Under the Animal Husbandry project funded from the 2006 programme and running until the end of 2012, pilot epidemiological surveys will be

carried out in the second half of 2012 for brucellosis, maedi visna and blue tongue. This will be followed, indicatively in 2013, by fully-fledged epidemiological surveys. This phase will include studies for other diseases such as scrapie, tuberculosis, echinococcosis, Foot and Mouth Disease, sheep pox and pest of small ruminants. Recommendations will then be made on the eradication strategies; vaccination is likely to be recommended in most cases except for scrapie and tuberculosis for instance, where some culling is likely to be necessary. In preparation for this, there has been a significant amount of consultation and groundwork involving Turkish Cypriot stakeholders, Commission services and input from external experts.

A parallel action, which must also be included in the 2012 programme, is the development of a system for disposal of animal carcasses and animal by-products. The current, uncontrolled dumping of carcasses in the nature must be stopped if a disease eradication programme is to progress successfully. It is essential that the rendering system is in place, before disease eradication strategies can be actually implemented. TAIEX experts are providing both *acquis*-compliant legal texts in the veterinary field and expert input on best EU practices.

Vocational Education and Training Systems, Life-Long Learning and Active Labour Market

The second component of Project 2 will be assistance to develop and further institutionalise the successful activities in the field of vocational education and training, life long learning and active labour market. A fundamental requirement for economic and social development is an adequately skilled and mobile labour force. The Turkish Cypriot community suffers from an inefficient labour market, characterised by a relatively large public sector. Trade unions are considered to be powerful stakeholders. Structural socio-economic problems of the Turkish Cypriot economy including those related to high public deficits need to be addressed through well sequenced reform efforts. The expired VETLAM project has been actively working on preparing the workforce in the event of such a reform and to render the labour market more transparent and efficient. Effective developments so far have been the opening of a *Job Shop*, development of career counseling, apprenticeship schemes, workshops and study visits. These activities have been well received and adopted by the Turkish Cypriot community, but it is considered essential to continue to support these initiatives to ensure greater sustainability and to facilitate further social dialogue to deliver the potential of the labour force.

Improvement of Private Sector Competitiveness

The third component of Project 2 is the provision of TA to facilitate the implementation of the Private Sector Development Strategy, which has been drafted, carry out needs assessments in the business community, advise with market research, support the creation of committees to advocate for intra-island cooperation and to provide training to support innovation, research and standardisation.

For Project 2, the support to animal identification, animal disease eradication and disposal will be through TA and supply contracts (probably two) with procurements dates depending on the status of adoption of the new *acquis* compliant veterinary standards and on an improvement of the identification and registration of animals. The

VETLAM project and the private sector support will probably be implemented by one service contracts each.

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

Supplies: 4Q12 (EUR 500,000), 1Q14 (EUR 2,000,000)

Services: 4Q12 (EUR 1,000,000), 1Q13 (EUR 1,500,000), 2Q13 (EUR 500,000).

Project 3: Reconciliation, confidence building measures, and support to civil society (towards objective 3)

Cultural heritage

The *de facto* division of the island has impeded the development of a common approach to managing cultural heritage protection in Cyprus. In 2008, the Advisers to the Cypriot Leaders 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 condition and estimated restoration costs for sites in northern part of Cyprus, the Famagusta Walled City and for Ottoman architecture. An inventory of approximately 2800 sites was made. Around 250 sites were ranked and about 120 detailed technical assessments were made.

Under a contribution agreement with UNDP funded under the 2011 programme, work will be carried out on the Othello Tower in Famagusta for opening to the public and stabilisation of structures on at least other five sites following an initial list of 11 priority monuments adopted by the bi-communal Technical Committee for Cultural Heritage based on a wider list agreed by the leaders of the two Cypriot communities.

The EU funds for 2012 will continue to support the work of the Committee with the choices of project guided by the priority list of projects drawn up. Activities to be funded may include full-fledged restoration projects as well as security measures, protecting and stabilising monuments against further damage. The cultural heritage project will be implemented in joint management with UNDP according to Article 53d of the Financial Regulation.

Committee on Missing Persons (CMP)

The second component of Project 3 supports the CMP set-up 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 for the death of missing persons. The purpose of the project is to support the CMP efforts to resolve the issue of missing persons and to bring a sense of closure to their families. The CMP Campaign aims at closing a painful chapter in the history of the island and at contributing to the process of reconciliation between the two communities. The latter will be further encouraged by the participation of bi-communal scientific teams at all stages of the process. An important part of this work is information dissemination and engagement of the communities, both new and older generations, in the process. The CMP project will be implemented in joint management with UNDP according to Article 53d of the Financial Regulation, with an assessment centrally managed by the Commission (Article 53a of the Financial Regulation).

Civil Society

The third component of Project is strengthening of the role of civil society in the Turkish Cypriot community and contributing to partnerships between civil society organisations from both communities. The aim is to promote further development of trust, dialogue, co-operation and reconciliation between the Turkish Cypriot and Greek Cypriot communities. In an environment where assistance cannot be delivered through a central administration, it is important to maintain contact and direct assistance to non-public stakeholders. Furthermore, unlocking the potential of local non-public entities to propose and explore new avenues to reconciliation is necessary to maintain momentum when political progress towards settlement is not promising. The assistance will be delivered through a centrally managed grant call, combined with resources (EUR 1,000,000) from Decision C(2011)4443. The maximum co-financing rate would be 80%. The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions.

For Project 3, the indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Specific contract under framework contract: 4Q12 (EUR 100,000)

Civil society grants: 2Q13 (EUR 1,500,000 + EUR 1,000,000 from C(2011)444).

Contribution Agreement signatures: 3Q13 (EUR 2,000,000), 3Q13 (EUR 1,900,000),

Project 4: Bringing the Turkish Cypriot community closer to the Union (towards objective 4)

Scholarships

Since Turkish Cypriot students and teachers are not in a position to take part in EU educational programmes such as *Erasmus*, the EU Scholarship Programme for the Turkish Cypriot community is designed to allow them to benefit in similar way. The scheme allows young people and professionals, by studying in EU places of learning, to experience life abroad, to gain knowledge of other EU countries and therefore contributes to lifting of the sense of isolation. Since 2006, five grant schemes for scholarships have been run with about 500 individual beneficiaries. The scholarship programme, although of relatively low cost, has become a flagship scheme of the assistance programme, with a high level of appreciation in the Turkish Cypriot community and a strong EU identity.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. In order to ensure continuity, the selection and award criteria similarly to previous years will be adapted to the purposes of the Call for proposals. The applicants will be evaluated and assessed according to the following steps: 1) compliance with formal/administrative requirements and eligibility criteria; 2) assessment of applicants as per the selection criteria published in the Call for Proposals regarding the applicants' academic/professional background as well as the relevance of the action. The detailed selection and award criteria will be laid down in the Call for Proposals – Guidelines for Applicants.

A programme evaluation, completed in the first half of 2012, will be taken into account in the development of the Call for Proposals. Grants for the academic year 2012-13 will be available to students through a separate Commission Decision.

The scholarship programme will be implemented through a centrally managed grant call.

The programme described here is intended primarily to support students, professionals and researchers during the academic year 2013-14, but in the case that the grant funds are not fully contracted, the excess funds may be used to supplement the call of the following academic year (2014-15), since the Commission intends to continue support each year to Turkish Cypriots (one call for each academic year). These excess funds (possibly 10%) will be in addition to other funds foreseen from a separate decision, with a launch of a Call for Proposals anticipated in the 4th quarter of 2013, as indicated below.

Infopoint

The EU Aid Programme visibility for the Turkish Cypriot community is supported by the EU *Infopoint* project, which runs an information centre in the northern part of Nicosia. In cooperation with the Representation of the European Commission, the EU *Infopoint* informs the Turkish Cypriot community about the EU's political and legal order as well as the Aid Programme. The project organises workshops, seminars, contacts between Turkish Cypriot and Greek Cypriot groups and publishes information and bulletins in Turkish. This has proved a valuable channel for information exchange and feedback and will require support under the 2012 programme for continued operation. The *Infopoint* project will be run through a centrally managed service contract.

For Project 4, the indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Scholarship grants: for academic year 2013-14: 4Q12 (EUR 2,000,000), any funds remaining may be used for academic year 2014-15

Specific contract under framework contract: 4Q12 (EUR 200,000)

Service contract *Infopoint* 4Q12 (1,500,000)

Project 5: Technical assistance to prepare for the future implementation of the *acquis* through the TAIEX instrument (towards objectives 5 and 6).

The objectives of the project are:

- (1) To provide assistance in the preparation of legal texts aligned with the EU *acquis* to be immediately applicable upon the entry into force of a comprehensive settlement of the Cyprus problem;
- (2) To prepare for the implementation of the EU *acquis* in view of the withdrawal of its suspension in accordance with Article 1 of Protocol No 10 to the Act of Accession;
- (3) To provide continued support for the implementation of Council Regulation 866/2004⁴ (the Green Line Regulation) and Commission Regulation 1480/2004⁵, thereby supporting the economic integration of the island.

The TAIEX instrument will continue to be used to achieve these objectives. TAIEX activities include: seminars and conferences; workshops; expert missions; study visits to

⁴ Council Regulation (EC) N°886/2004 of 29 April 2004 on a regime under Article 2 of Protocol 10 to the Act of Accession

⁵ Commission Regulation N°1480/2004 of 10 August 2004 laying down specific rules concerning goods arriving from the areas not under the effective control of the Government of Cyprus in the areas in which the Government exercises effective control

EU Member States; mobilisation of longer-term experts; provision of tools and information products for, among others, translation and interpretation activities; and co-ordination and monitoring, in close co-operation with Member States and Commission services. By increasing Turkish Cypriot awareness and understanding of EU law, technical assistance delivered through the TAIEX instrument will help lay the foundations for future cooperation between both communities on the island.

The significant majority of the project will be implemented through a service contract. Indicatively, five specific contracts under framework contract(s) are also foreseen to cover any expertise which cannot be provided through the public sector.

It is also foreseen that the TAIEX instrument could be used to support the implementation of elements under other projects listed in section 2 (such as the organisation of conferences).

For Project 5, the indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Service contract: 4Q13 (EUR 3,000,000)

Specific contracts under framework contract: 3Q13 (EUR 300,000)

Programme Support Facility and Reserve

Under the Aid Regulation: *assistance may also be used to cover in particular the costs for supporting activities such as preliminary and comparative studies, training, activities linked to preparing, appraising, managing, implementing, monitoring, controlling and evaluation of assistance, activities linked to information and visibility purposes as well as costs for supporting staff, renting of premises and supply of equipment*". A budget is therefore reserved for these supporting and logistic activities, including the extension in 2012 of the service contract signed in 2012, which provides the Commission with the EU Programme Support Office (EUPSO) office premises and support staff. EUPSO was set up in 2006 to facilitate contacts with the beneficiary community, for coordination, preparation and implementation of the assistance and for provision of a venue for meetings and seminars. The support facility includes a programme reserve, which can be mobilised in support of the 2012 programme, including for audit and evaluation.

It is planned that this component will be implemented through at least one service contract and at least four specific contracts based on existing framework contracts. The current service contract for running the EUPSO office will be extended. This extension will take the form of additional services to the ongoing contract and a negotiated procedure will be conducted to this effect.

Project	Support (in EUR million)	Breakdown Procurement/ grant	Implementation modalities' (projects, budget support, etc.), beneficiary, purpose, results, activities, contribution to the priorities, and indicative implementation schedule
Project 1 Development and restructuring of infrastructure	7.5	Proc. 7.5 Grant 0	Complementary investments in networks, water re-use and related supervision Completion of SEPA management and information centres through a contribution agreement with UNDP Supplies and small works for solid waste

			handling and related supervision TA for continued capacity building (water, environment), waste water reuse study Heavy vehicle studies
Project 2 Promotion of social and economic development	5.5	Proc. 5.5 Grant 0	TA and supplies for animal disease eradication programmes Design and equipment for animal carcass disposal TA for labour market reform, vocational training and private sector support
Project 3 Reconciliation, confidence building measures, and support to civil society	5.5	Proc. 4.0 Grant 1.5	Contribution Agreements with UNDP for Cultural Heritage Protection, and CMP. Grant scheme for civil society support implemented through centralised management.
Project 4 Bringing the Turkish Cypriot community closer to the Union	3.7	Proc. 1.7 Grant 2.0	Grant calls for proposals for the academic year 2013-14 and 2014-15 Support to scholarship programme Service contract for the continuation of <i>Infopoint</i> and information project
Project 5 Technical assistance to prepare for the future implementation of the <i>acquis</i> through the TAIEX instrument	3.3	Proc. 3.3 Grant 0	TAIEX support for legal drafting, technical assistance and Green Line support
Programme Support Facility and Reserve	1.7	Proc. 1.7 Grant 0	EUPSO office support contract, unallocated technical assistance, programme reserve and audits/evaluation
TOTAL*	27.2	Proc. 23.7 Grant 3.5	

*this is complemented by EUR 0.8 million under a separate Commission Decision. The total 2012 allocation is therefore EUR 28 million.

2.d Overview of past and on going assistance (EU / IFI / Bilateral and national assistance) including lessons learned and donor coordination.

Under the current (2006) Aid Regulation, EUR 278.15 million has been allocated (excluding the 2012 programme). The main commitments have been for water, wastewater and solid waste infrastructure and for power plant and telecoms equipment. There have also been substantial allocations for grant contracts, with over 1000 beneficiaries. Some of the programme highlights are described below.

The main infrastructure improvements completed or nearing completion, so far include wastewater treatment plants in the Morphou/Güzelyurt area, serving 10,700 "Person Equivalents" (PE), in Famagusta, for about 30,000 PE and the large Nicosia bi-communal wastewater treatment plant (270,000 PE), the latter is 30% funded by the EU. New sewerage networks were built in Morphou/Güzelyurt and Famagusta and drinking water networks were partly renewed in Morphou/Güzelyurt, Famagusta, Kyrenia, Kioneli/Gönyeli, Lefka/Lefke and Nicosia. A new, solid waste landfill at Koutsoventis/Güngör was completed in 2011 and the Kato Dhikomo/Aşağı Dikmen dump site rehabilitated and prepared for closure. A waste transfer station has been constructed in Famagusta for waste movement to the new landfill. A medical waste

facility for the main hospital in the northern part of Nicosia was handed over at the end of 2011.

In support of nature protection, draft management plans were prepared for Special Environmental Protection Areas (SEPAs) and a walking trail network of over 600 km was completed. Information and management centres located in four SEPAs are partially completed. Under joint management with UNDP, rehabilitation works in several villages in the northern part of Cyprus were done and renovation of the market in the northern part of the walled city of Nicosia is nearing completion.

A 1.27 MW Solar Power Plant was finished and the installation has been running at full power since November 2011 and a significant investment has also been made in equipment for the telecommunications sector. Work on traffic safety, including education, accident data collection and light vehicle inspection has been carried out.

Grant schemes have covered agricultural production, supporting rural enterprises and farms, community development through village initiatives, SME competitiveness, business support organisations, school projects, training projects, civil society and scholarships for students and teachers.

An education reform programme has been implemented, involving building the capacity of the main stakeholders, training of a core team of inspectors, study visits, support for child-centred education, development of quality standards and input for the development of the European Information Management System. The project ended in December 2011. The main output was a draft vision and mission document. Assistance has also been given in vocational training systems, life-long learning and labour market reforms, including the opening of a job centre in Nicosia, study visits and conferences abroad and training in entrepreneurship and career counseling.

Under the Aid Programme, the EU is the main contributor to the work of the Committee on Missing Persons (CMP). By the end of March 2012, 840 sets of remains had been exhumed from 586 burial sites and 316 missing individuals had been returned to their families (255 Greek Cypriots and 61 Turkish Cypriots). Up to this point, 527 sets of remains had been analysed at the CMP anthropological laboratory and 1,484 DNA analyses performed. Similarly, the work on EU-funded heritage protection, which is implemented by UNDP according to priorities of the bi-communal Technical Committee for Cultural Heritage is of value to the whole island and both communities.

The scholarship programme for students and teachers has proved particularly successful and is possibly the best known of the EU-funded projects in the Turkish Cypriot community. In 2011, which was the fifth year of the Scholarships Programme, 89 scholarships (9 teachers, 1 undergraduate, 79 graduates) were granted, with free choice of study or training programme, although with priority given to technical and administrative topics where there is a skill shortage in the Turkish Cypriot community. Scholarships for the 2012-13 year will be available under a call for proposals that the Commission intends to launch in mid-2012, funded from a separate Decision (CRIS 2012/023-825).

In addition to the above, considerable technical assistance has also been provided to the agriculture water and environment sectors, supporting SMEs and Chambers of Commerce, energy and telecoms capacity building and education and human resource development.

The Commission's Technical Assistance Information Exchange (TAIEX) instrument helps prepare the Turkish Cypriot community for implementation of the EU *acquis* following the settlement of the Cyprus problem following the *Programme for the Future Application of the Acquis* (PFAA) agreed with the Turkish Cypriot community. In addition to the 13 sectors of the PFAA, assistance was provided in 2011 in Free Movement of Goods, Intellectual Property Rights and Mutual Recognition of Professional Qualifications. Over 80 EU experts carried out 528 actions in 2011, including training courses, workshops and study visits. Trade across the Green Line (Regulation 866/ 2004) is also supported by TAIEX EU Member State experts who have been mobilised to carry out regular phytosanitary/veterinary inspections of potatoes and fish.

Lessons learned from operational experience, from the 2009 programme evaluation, sectoral assessments (water, civil society, economic performance), the ECA performance audit and from contract audits are that:

- Achieving real economic development, in particular closing the GDP/capita gap with the areas under the effective control of the Republic of Cyprus is difficult given the uncompetitive nature of business and agriculture and the domination by the public sector. The lack of incentives is a key concern.
- The particular political and operational context of the aid programme to the Turkish Cypriot community has brought many challenges: decentralised management is not possible. Centralised management, particularly with the demands of a large number of individual grant contracts and the issues related to the specific Cyprus problem (e.g. need to respect of property rights in line with Article 7 of the Aid Regulation; need to adapt all standards templates and models), is very staff-intensive and requires a lot of hands on monitoring by the Commission.
- There are weaknesses in capacity and unclear responsibilities on the side of Turkish Cypriot localbodies. Considerable follow up is required to maximise long term sustainability of some of the larger EU funded investments. In a number of cases, resources and structures are not fully in place for taking over and operation of investments made. This has been aggravated by slow passage of new and EU-compliant rules. A period of consolidation and targeted assistance is necessary to resolve this and strengthen long term sustainability.
- Due to lack of experience by the beneficiary, some grant schemes have been difficult to implement, particularly those with an infrastructure component and those where no dedicated Programme Management Unit has been set to assist grant beneficiaries.
- The aim is eventually for full *acquis* roll-out, but there is currently a significant gap between the requirements of the *acquis*-compliant rules and the real implementation capacity. It is necessary to adopt a more strategic approach in some areas where there is a substantial volume of new rules and regulations in the pipeline.
- The water sector remains a critical one due to the heavy investments required for EU compliance and water scarcity in Cyprus.

2.e Horizontal issues

The programme is intended to support the Turkish Cypriot community with a continuing direct support to a wide variety of Turkish Cypriot stakeholders and beneficiaries through grants to students and civil society groups. The programme is running in parallel with the adoption of *acquis*-compliant rules by the Turkish Cypriot community, including many aspects that will improve quality of life and the environment e.g. water framework and environment standards and their dependent regulations. TA will continue to be available for help with implementation of the new *acquis*-compliant rules.

There are many sensitive issues in implementation of the assistance programme in the northern part of Cyprus. The need to respect property rights is one that affects infrastructure projects, in particular.

2.f Conditions

There are no Financing Agreements between the Commission and the Turkish Cypriot community. Any conditions the Commission wishes to impose should be the result of discussions with the beneficiary. There are areas where interventions on the Turkish Cypriot community side have stalled or have been delayed. In some cases the slow adoption of *acquis*-compliant rules is the cause of delay.

The Commission continues to have an informal dialogue with the Turkish Cypriot community i.e. without implying recognition, on a number of these points and applies pressure, at all levels. Sustainability questions have influenced the programming decisions and the Commission will continue to work with the beneficiaries to achieve the optimum long-term impact of the investments and this is very much the focus of the 2012 programme.

2.g Benchmarks

This section indicates the benchmarks for the tendering and contracting of the funds, "n" being the year in which the budgetary commitment was made. The number of contracts is indicative

	n		n+1 (cumulative)		n+2 (cumulative)	
	EU	NF	EU	NF	EU	NF
Number of contracts launched			22		22	
Number of calls for proposals launched			2		3	
Contracting Rate (%)			92		97	

Note: total contracted excludes programme reserve

Includes EUPSO office contract extension

3. BUDGET (AMOUNTS IN EUR MILLION)

3.1. Indicative budget table

Centralised management						Totals	
	Total expenditure	EU contribution		National contribution			
	EUR (a)=(b)+(c)	EUR (b)	% ⁽¹⁾	EUR (c)	% ⁽¹⁾	EUR (h)=(b)+(c)	% ⁽¹⁾
Project 1	7.5	7.5	28			7.5	27
Project 2	5.5	5.5	20			5.5	20
Project 3	5.8	5.5	19	0.3	1	5.8	21
Project 4	3.7	3.7	14			3.7	14
Project 5	3.3	3.3	12			3.3	12
Prog support	1.7	1.7	6			1.7	6
TOTAL	27.5	27.2	99	0.3	1	27.5	100

(1) as % of total expenditure

3.2 Principle of co-financing applying to the projects funded under the programme

The EU contribution represents 99% of the total budget allocated to this programme (the remaining 1% is grant co-financing by beneficiaries). The grants for students (Project 4) are intended to support students' fees, travel and living expenses, not to cover their entire costs for the study period. The grant of EUR 15,000 is clearly insufficient to meet the total expense and there is a significant cost to the student in addition to the grant amount. The total costs are not included in the programme, because these will vary considerably, depending on the university and chosen country of study.

The scholarship grant of € 15,000 is calculated on the basis of € 1,420 a month (considering that a full academic year lasts indicatively 10 months), plus € 800 for travel expenses (allowance based on an average return flight fare in economy class). The € 1,420 a month is to cover tuition fees and living expenses in another EU Member State. According to the draft findings of the assessment of the programme: *grantees rated the amount of the grant as the main difficulty faced, however together with their own resources, they were able to meet the costs of their studies*. Fees for postgraduate study are usually higher than those for undergraduates and the postgraduate beneficiaries (the majority so far), in particular, have particularly found the EU grants inadequate. It is important to avoid the financial burden of study being an excessive discouragement to potential beneficiaries and it is also necessary to allow a good range of course opportunities for Turkish Cypriot students (most will search for courses taught in English). The amount of the grant has not changed since 2007 and no increase has been made for inflation. The draft assessment report of the scholarship programme, considering different target groups, recommended grant amounts of at least € 15,000/year.

The grants to civil society organisations will finance 80% of the total budget.

The EU contribution, which represents 99% of the total budget allocated to this programme, has been calculated in relation to the **eligible expenditure**, which in the case of centralised management is based on the **total expenditure**.

4. IMPLEMENTATION ARRANGEMENTS

4.1 Implementation modalities

The programme (except parts of Project 1 and 3) will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation⁶ and the corresponding provisions of the Implementing Rules⁷.

Project 3 (CMP and cultural heritage protection) and the completion of buildings in potential *Natura 2000* areas under Project 1 will be implemented by the European Commission by joint management with UNDP following Article 53d of the Financial Regulation and the corresponding provisions of the Implementing Rules.

⁶ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1) as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1)

⁷ Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

To this end, the Commission and UNDP will conclude Contribution Agreements.

4.2 General rules for procurement and grant award procedures

Procurement and grant awards shall follow the provisions of Part 2, Title IV of the Financial Regulation and Part 2, Title III of its Implementing Rules. The essential selection and award criteria for the award of grants are laid down in the Practical Guide. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants. The general rules for procurement and grant award procedures shall be defined in the Contribution Agreement between the Commission and the international organisation implementing such programme/activity

The procedural guidelines, standard templates and models facilitating the application of the above rules are provided for in the “Practical Guide to contract procedures for EU external actions” (“Practical Guide”) as published on the Commission website at the date of the initiation of the procurement or grant award procedure.

Works contracts will be carried out using the FIDIC conditions of contract.

4.3 Cross-cutting issues

All investments shall be carried out in compliance with the relevant Community environmental legislation as far as this is possible in the northern part of Cyprus.

The programme targets the wide objectives of the Aid Regulation 389/2006, which devotes significant attention to contact with Turkish Cypriot civil society, confidence-building and reconciliation. The civil society support under Project 3 will encourage assistance to vulnerable groups and to bi-communal actions. Grant awards will be non-discriminatory, using criteria previously adopted for the Aid Programme. There is also considerable capacity building and assistance with the preparation of EU-compliant procedures, which will help the beneficiary administration in combatting potential corruption.

5. MONITORING AND EVALUATION

5.1 Monitoring

In the case of centralised management:

The Commission may undertake any actions it deems necessary to monitor the programmes concerned.

In the case of joint management with international organisations:

The Commission may undertake any actions it deems necessary to monitor the programmes concerned. These actions may be carried out jointly with the international organisation(s) concerned

5.2 Evaluation

Programmes financed under Council Regulation 389/2006 shall be subject to ex ante evaluations, as well as interim and/or, ex post evaluations. The results of evaluations shall be taken into account in the programming and implementation cycle. The

Commission may also carry out strategic evaluations. Costs of audits/evaluations may be met either from the programme reserve or from the project allocations.

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors.

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96⁸.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received EU funds.

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

The Commission may approve amendments to the financing decision complying with the objective of the programme and not exceeding 15% of the financial envelope of the decision (Regulation 389/2006, Article 3.3). The Commission may approve such amendments without seeking the opinion of the Committee provided for in Article 9(1) of Council Regulation (EEC) No 3906/89.

The Committee referred to above shall be informed of any reallocation of funds.

Cumulated changes to the allocations to the specific actions not exceeding 15 % of the financial envelope of the decision are not considered to be substantial within the meaning of Article 90(4) of Regulation (EC, Euratom) No 2342/2002, where those changes do not significantly affect the nature and objective of the programme.

The authorising officer responsible may adopt such changes in accordance with the principle of sound financial management and principle of proportionality.

8. LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature⁹, may be undertaken by the authorising officer by delegation

⁸ OJ L 292; 15.11.1996; p. 2

⁹ These essential elements of an indicative nature are, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.

(AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

9. SPECIAL CONDITIONS

In the implementation of actions financed under this Financing Proposal, the rights of natural and legal persons, including the rights to possessions and property shall be respected in line with Art 7 of Council Regulation 389/2006.

Nothing in this financing proposal is intended to imply recognition of any public authority in the areas, other than the Government of the Republic of Cyprus.

As regards participation in the award of procurement or grant contracts, the term “all natural and legal persons of Member States of the European Union in Article 9 paragraph 1 of Council Regulation 389/2006” includes all genuinely existing domestic legal persons residing or established in the areas. This will be specified in the calls for tenders and proposals.