

EXECUTIVE SUMMARY

ACTION PROGRAMME FOR THE TURKISH CYPRIOT COMMUNITY FOR THE YEAR 2016

Beneficiaries	<i>Turkish Cypriot community</i>
Total EU Contribution	EUR 33,408,392.00

1. List of foreseen actions

Action No + Title	Management mode	EUR
1. Programme for the Turkish Cypriot community for the year 2016	Direct and indirect management	33,408,392.00
TOTAL		33,408,392.00

2. BRIEF DESCRIPTION OF THE ACTION

The Action provides assistance to the Turkish Cypriot community (TCc) 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 TCc. The Action addresses three of the six objectives laid down in Article 2 of Regulation 389/2006 and is implemented through grants, procurement and under indirect management:

GRANTS

Support to agriculture and rural development (Objective 2 of the Aid Regulation – "Promotion of social and economic development")

One of the continuous themes in the assistance to the TCc is the strengthening of the agriculture value chain. Against a background of wide-ranging needs, resources should be focused on priority areas, where the future *acquis* compliance is difficult to achieve or where the impact of improvements will be of greatest economic benefit. The 2016 Aid Programme will therefore provide grant funding as described below:

a) Support for the TCc dairy sector Action Plan

Currently, trade over the Green Line of products of animal origin is not allowed, except for honey and fresh fish. With a view to trading dairy products over the Green Line, the TCc has developed a dairy sector Action Plan covering the inter-related aspects of animal husbandry and health, milk collection and food safety, feed production, producers organizations, pricing and incentives/compensation/penalties to producers for the application of bio-security measures and good farming practices. To complement existing support measures to the dairy sector, such as animal disease prevention and control and safe management of animal by-products, and to contribute to the implementation of the dairy sector action plan, grants amounting to EUR 2.5 million will be provided to:

- dairy operators, especially those breeding sheep and goats, to invest in farm assets that can improve milk yields and milk quality and to assist the dairy operators in the application of bio-security measures and good farming practices, including animal welfare.

- Halloumi/ Hellim producers in order to support their efforts to enhance the cheese value chain and compliance with EU requirements in term of animal health, animal welfare, food safety, as well as conformity to PDO rules where applicable.

b) Support for the Rural Development Programme

With help from TAIEX experts the TCc has developed and is finalizing a *Rural Development Programme*, as required by the Regulation for the European Agricultural Fund for Rural Development. The highest priority measures in this Programme include measures to enhance knowledge transfer and to set up the Farm Advisory Services, as well as measures to facilitate farm and business development. The TCc has asked for support for implementing and monitoring this Programme, including through technical assistance. The preparation of a Farm Advisory Services Strategy, which started early in 2016, is being financed under the 2013 Aid Programme. The establishment of Farm Advisory Services in line with the Strategy shall be financed through grants to farmers' associations or other suitable private sector/NGO bodies. An allocation of EUR 1.2 million is foreseen for this action.

Still under the Rural Development Programme, further grants amounting to EUR 2.5 million are foreseen for measures to increase the competitiveness and efficiency of farms and food processors, including investment support to upgrade establishments, and investment in physical assets and organic farming.

Support to SMEs (Objective 2 of the Aid Regulation – "Promotion of social and economic development")

Since its inception in 2006 and up to the end of 2015, the Aid Programme has supported the business environment in general and TC businesses in particular through technical assistance and grants to an amount of around EUR 15 million.

In June 2016, the TCc adopted an SME strategy, which mirrors the SME strategy adopted in the Republic of Cyprus. The strategy aims at "turning the SMEs into the driving force of economic growth" in the TCc, notably by favouring innovation, enhancing productivity and the production of high-quality goods and services, improving the qualifications of the labour force and ensuring an industrial transformation with a maximum level of safety of environment and occupations.

Against this background, and in line with the TCc SME strategy, the 2016 Aid Programme will support the development of a more performing business environment in the TCc by:

- a) enhancing the competitiveness of the TCc SMEs by modernising their production process through, for example, the introduction of Total Quality Management schemes, as well enhancing the quality of their goods and services with a view to complying with EU standards and with the criteria for obtaining CE markings;
- b) developing the technical, innovative and administrative skills of the SMEs, through encouraging their use of Information Technology, encouraging their recruitment of skilled labour, supporting the development of R&D departments and supporting their use of innovative machinery and means of production.

Two grant schemes are planned for the above mentioned objectives, one directed towards established enterprises and the other directed towards start-ups.

Support for innovation in education (Objective 2 of the Aid Regulation – "Promotion of social and economic development")

Improving education and enhancing training opportunities is a fundamental factor for the social and economic development of the TCc. Since 2008, the Aid Programmes have directly supported schools and financed vocational training and lifelong learning programmes in the TCc. In particular, technical assistance funded by the Aid Programmes is supporting the TCc in improving the qualifications

framework as well as in developing and implementing a vocational education strategy, a lifelong learning strategy and an employment strategy, all of which are due to be completed by the end of 2016. The 2016 Aid Programme will continue supporting the implementation of the above-mentioned strategies. In particular, it will focus on improving the future skills and competencies in the labour market by promoting innovation in education and improving employability by creating lifelong learning opportunities.

Economic monitoring/strategy (Objective 2 of the Aid Regulation – "Promotion of social and economic development")

In parallel with the political settlement process, economic analysis and advisory services are needed to support the economic, fiscal and financial viability of a solution. Since 2006, the World Bank has been engaged to produce macroeconomic analyses, regular monitoring reports and deliver studies on topics relevant to competitiveness, economic development and Green Line trade of the TCc.

Against this background, the 2016 Aid Programme will continue to engage the expertise of the World Bank to build on the analytical and advisory work done so far and continue to provide advice and targeted support to the TCc.

In particular, the WB will be engaged to continue to:

- (i) collect and analyse macroeconomic data and produce regular macroeconomic monitoring reports on aspects such as the economic cycle, the effects of currency appreciation or depreciation on domestic prices and the balance sheet, the trend in external imbalances, labour market trends, fiscal sustainability, and risks to the medium-term outlook;
- (ii) deliver financial and fiscal analyses looking into areas such as public investment management, macro-fiscal programming and access to finance by households and enterprises;
- (iii) carry out studies on topics relevant to competitiveness, economic development and Green Line trade, such as the business environment and the investment climate in the TCc, education (including vocational training), the labour market and the agriculture sector.

Under this grant, it is expected that the World Bank will produce 2 annual macroeconomic notes and at least 4 actionable reports/policy notes on identified key sectors of growth in the TCc. These analyses will contribute to a better understanding of the constraints impeding economic development and will contain options for reforms.

The support from the World Bank will address the macroeconomic constraints faced by the TCc. This support will be complementary to the support provided by the Aid Programme at microeconomic level, such as the grants and technical assistance provided to the private sector.

PFM review and capacity building (Objective 2 of the Aid Regulation – "Promotion of social and economic development")

The Cyprus settlement will require significant fiscal reforms by the TCc. There is much capacity and institutional building necessary to be done. It is important to intensify such support as the political process evolves.

A grant will be concluded with the International Monetary Fund with the aim of improving the effectiveness, control and efficiency of public financial management (PFM) and related systems and bringing them into line with EU requirements.

Support to civil society (Objective 3 of the Aid Regulation - "Reconciliation, confidence-building measures and support to civil society")

The Treaty on the European Union (Article 2) states that *the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between*

women and men prevail. An empowered civil society can play an important role in ensuring these principles are upheld in practice.

The extent of social and political engagement in the northern part of Cyprus remains limited and the effectiveness of advocacy is also low. In particular, the CSOs themselves have few resources and the impact of CSO activities lacks sustainability.

There are currently 18 CSO projects (many of them in bi-communal partnership) and more than 40 CSOs across Cyprus supported by the funds under 2014 and 2015 Aid Programmes. Given that USAID, the other main donor to civil society's capacity building, closed its programme at the end of 2015, continued access to EU funding for Civil Society is even more vital to ensure that active citizens and CSOs are pursuing their actions. Against this background, the 2016 Aid Programme will continue to support the development of a culture of dialogue, the participation in community life and the promotion of values of tolerance, peace, and active citizenship.

In particular, the 2016 Aid Programme will finance actions under a new, seventh grant scheme to stimulate bi-communal activities and promote more active citizenship and volunteering, through promoting the benefits of bi-communal work – including through research, evaluation and outreach; supporting the development of good practice and strengthening of civil society initiatives, particularly those engaged in, or that have the potential to become engaged in, bi-communal or peace building activity; widening the base of those involved in civil society and in particular bi-communal work through supporting projects that are reaching out to underrepresented sections of the community; connecting CSOs and students and promoting internship programmes between CSOs and TCc universities and/or other educational establishments to increase volunteerism.

Expected results for actions implemented through grants are:

- dairy sector supported so that hellim/halloumi meeting EU food safety standards can be produced in the northern part of Cyprus. Producers and processors supported for implementation of the *Dairy Sector and Hellim Trade Action Plan*;
- *Rural Development Programme* supported, in particular the establishment of the Farm Advisory Services;
- enhanced SME competitiveness and readiness for EU trade through adherence to EU standards and preparation for "CE" marking;
- increased labour productivity and employment in the private sector through financing the modernisation and innovation of enterprises;
- improved teaching and learning methodologies, increased number and quality of lifelong learning opportunities, improved labour market flexibility;
- identification of the constraints faced by the TCc in improving policies in various sectors (including fiscal policy) as well as in improving overall policy coordination. Suggestions for enhancing the capacity of the TCc to address these constraints and implement the necessary reforms. Capacity-building and concrete support for implementation;
- enhanced monitoring and improved fiscal financial governance;
- Strengthened Civil Society Organisations (CSOs) networks in the TCc.

PROCUREMENT

Disposal of animal by-products (ABP) (Objective 2 of the Aid Regulation - "Promotion of social and economic development")

As early as 2012, the Turkish Cypriot community requested high priority attention for the eradication of animal diseases. Apart from significant commercial implications for farms, many of which are already struggling financially, a number of these diseases are zoonoses (infectious diseases that can be transmitted between species from animals to humans) and are a public health concern. Risk of contagion across the Green Line makes this an island-wide issue. A disease eradication programme

started with pilot epidemiological work in 2012. As part of this action, a system for the safe disposal of animal carcasses and animal by-products must be implemented to safeguard public and animal health and protect the environment. Management of animal by-products is strictly regulated in the EU and collection, storage and disposal methods are defined according to the level of risk they pose.

The overall objective of the contracts envisaged will be to contribute to the development and the establishment of a properly-governed ABP management system in the northern part of Cyprus. Two contracts are envisaged:

- a works contract: construction of facilities to collect, store, transport and dispose, through incineration, high risk ABP materials;
- a supply contract for additional equipment required for continuous gas emission monitoring of the incineration centre.

Technical assistance for promotion of social and economic development (Objective 2 of the Aid Regulation - "Promotion of social and economic development")

Technical assistance for:

- a. Rural Development Programme: building the capacity of the TCc for monitoring the implementation of the *Rural Development Programme*;
- b. Support for the private sector: further development of the private sector, inter alia through assistance for the adoption of efficient, effective and quality processes and products, compliance with EU production and products standards, achievement of CE marking as well as identification of future business opportunities, in particular following settlement;
- c. Support for the Programme Management Unit (PMU): provision of support to the Commission and to TC potential and actual grant beneficiaries for the implementation of grant schemes and related grant contracts.

a. Rural Development Programme

The implementation of the new EU financed TCc *Rural Development Programme* will need to be monitored. Currently, the necessary capacity for such monitoring is lacking in the TCc. The TCc has therefore specifically requested technical assistance to build its own capacity to monitor the implementation of the above mentioned Programme. In providing the requested capacity building support, the technical assistance will in particular train the TCc to apply EU best practises in terms of project monitoring and benchmarking. This technical assistance is complementary to the grants provided to farmers and food processors.

b. Support for the private sector:

The current technical assistance contract to support the development of the private sector started in November 2015. It is providing advice and strategic support to stakeholders in the TCc at various levels, including to business support organisations such as chambers and investment promotion agencies. By strengthening the capacities of such key stakeholders to support private sector development in the TCc, the technical assistance aims overall to promote private sector growth and move the economy away from its reliance on the public sector, to support private job creation, and ultimately to contribute to increasing income convergence with the government-controlled areas.

In 2016, it is foreseen that this technical assistance will be continued in order to help identify future business opportunities, identify areas for future grant interventions and strengthen even further the capacity of the representatives of the private sector, such as chambers.

Through the 2016 Aid Programme, the technical assistance will provide fact-finding and needs-assessments studies on relevant subjects for private sector development.

This technical assistance is complementary to the grants provided to SMEs.

c. Support for the Programme Management Unit (PMU)

Since 2008, a PMU contracted by the Commission under a service contract funded by the Aid Programme has been providing services to the Commission as well as to potential and actual grant beneficiaries in the TCc for the implementation of Aid-Programme-funded grant schemes. The PMU activities are varied and cover the full project cycle. These activities include the provision of:

- a) support to the Commission for: i) informing the TCs about open calls for proposals, related objectives and selection procedure; ii) assessing grant applications and preparing contract documents; iii) monitoring the implementation by TC grant beneficiaries of the grant-funded actions;
- b) support to grant applicants and grant beneficiaries with a range of training activities;
- c) assistance to grant beneficiaries in the implementation of the EU-funded grant actions, *inter alia*, in relation to sub-granting/secondary procurement of services, supplies or works and reporting to the Commission.

PMU processes have been gradually refined and, *inter alia*, help give assurance to the Commission that the applicable procedural rules are followed by grant beneficiaries. In view of the significant additional volume of work that will arise from the grant programmes foreseen under the 2016 Aid Programme, continuation of the PMU work is of crucial importance.

Infopoint project: providing information about EU policies (Objective 4 of the Aid Regulation)

Objective 4 requires *Bringing the Turkish Cypriot community closer to the Union*. A successful vehicle in this respect has been the *Infopoint* project, which carries out a range of communication and visibility functions, providing information about EU policies and about actions in support of the TCc, promoting European culture, giving information about funding opportunities and maintaining a website and social media presence. This has considerably enhanced the visibility of the EU in the northern part of Cyprus. Since many of the EU projects in support of the TCc are not otherwise easily visible to individuals, maintaining the *Infopoint* activity remains vital. To ensure the continuation of *Infopoint*, which is run through a service contract, an allocation in the 2016 programme is required.

Expected results for actions implemented through procurement are:

- animal carcass and by-products collection and disposal system in place;
- direct assistance delivered in grant form to private sector operators including in rural development and to educational establishments.

ACTIONS IMPLEMENTED IN INDIRECT MANAGEMENT

Technical assistance for promotion of social and economic development – EBRD credit facility (Objective 2 of the Aid Regulation)

The EBRD has a reputation and track record as a leader in developing small businesses and in laying foundations for sustainable growth. The model for EBRD intervention with credit facilities (the "Small Business Support Programme") is well developed and has a proven track record. The EBRD has helped beneficiaries improve their decision making, expand into new markets, introduce different product lines, achieve quality certification, reduce their energy use and redefine their approach to human resources. Based on performance measured one year after project completion, on average 77% of beneficiaries had increased their turnover by an average of 23%, 57% had created new jobs and 17% had secured external financing to continue their expansion. The same Programme has been running through share-holders funds in the governmental-controlled areas.

Support to the Committee of Missing Persons (CMP) (Objective 3 of the Aid Regulation)

The EU supports the CMP in establishing 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. Bi-communal scientific teams participate in all stages of the process e.g. in undertaking awareness sessions on the CMP in high schools in both communities. The CMP is an important and high-profile bi-communal activity. The three CMP Members presented the work to the UN Secretary General in May 2015 and, in December 2015, the two community leaders visited the CMP anthropology laboratory and made an appeal calling on all Cypriots to provide information to the CMP on possible burial sites. As time advances, new information becomes scarcer, although a significant breakthrough was achieved in 2015 with the granting of access over the period 2016-19 to 30 suspected burial sites under Turkish military control.

The EU will continue to support the CMP and the 2016 Aid Programme includes an allocation for the CMP that is in line with previous years. This allocation, together with an additional amount of EUR 2,600,000 that is being made available through re-allocation under the 2013 Aid Programme, is to cover a nominal 2-year period of implementation.

Expected results for actions implemented in indirect management are:

- improve SME performance by providing business advice from local and/or international consultants and building a sustainable market of advisory services.
- build trust by bringing the two communities to work together; reduce number of missing persons; increase awareness

Support Facility

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 and costs for supporting staff, renting of premises and supply of equipment.*

In view of the on-going settlement process, the Support Facility can play an important function by providing additional resources for upcoming unforeseeable needs and activities that may facilitate the settlement process.

Various services of the Commission have been providing technical input to the bi-communal *ad hoc* Committee on EU preparation since 2015 (discussing future *acquis* compliance). More extensive technical assistance activities may be expected. The range of topics on which the two communities will engage is very wide and will eventually encompass the whole of the *acquis*. Support interventions may be necessary at short notice and availability of resources will be essential.

The Support Facility can also be used to procure small supplementary supplies for assistance programmed in the past or in the 2016 financing decision, such as for monitoring standardisation, for analytical laboratory work in critical fields and for development of farm advisory services.

The Support Facility may also provide resources for the completion of infrastructure works, such as the new Nicosia trunk sewer financed under the 2013 Aid Programme or the Famagusta sewerage network and solid waste management projects financed under the 2014 and 2015 programmes, should this prove necessary.

Finally, the Support Facility will provide resources for visibility actions, evaluations, and audits as well as monitoring and other supporting studies. Furthermore, it will provide resources for the logistic support to the EU Programme Support Office (EUPSO) in the northern part of Nicosia, which houses the Commission staff implementing the Aid Programme in the field.

AMENDMENTS OF THE AID PROGRAMMES FOR THE TURKISH CYPRIOT COMMUNITY FOR THE YEARS 2013, 2014 AND 2015

a. Changes to the Aid Programme 2013

The Aid Programme 2013 includes amongst its priorities the construction of a **new trunk sewer** in the northern part of Nicosia to connect to the new wastewater treatment plant at Mia Milia/Haspolat. It also includes, as part of a disease eradication programme, a project for the installation of a **system for disposal of animal carcasses and animal by-products**. Additional financing is needed for the construction of the **new trunk sewer project** 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 increased financing of this project shall be covered from savings and reallocations within the Action Programmes for the Turkish Cypriot community for the years 2014 and 2015.

As regards the **animal by-products project**, data needed for the technical specifications to complete the disposal system has not been made available in a timely fashion. In order to allow adequate planning of this project and ensure best value for money, the animal-by products project shall not be financed anymore under Decision C(2013)7969. The total financing of this project shall instead be included in the Action Programme for the Turkish Cypriot community for the year 2016.

The Commission Decision C(2013)7969 also includes amongst its priorities two areas of **confidence-building measures** which are the activities of the Committee of Missing Persons ("hereinafter "CMP") and the work of the bi-communal Technical Committee on Cultural Heritage (hereinafter "TCCH"). Because it is of paramount importance to continue supporting these high-profile bi-communal activities, the amounts originally planned in the 2013 Aid Programme for the new trunk sewer project (EUR 4,000,000) and for the animal by-products project (EUR 1,800,000) are proposed to be transferred, within the same year, to these confidence-building measures. An amount of EUR 2,600,000 shall be reallocated to support the activities of the Committee of Missing Persons whilst an amount of EUR 3,200,000 shall be reallocated to support the work of the bi-communal Technical Committee on Cultural Heritage.

b. Changes to the Aid Programme 2014

The Aid Programme 2014 includes amongst its priorities the social and economic development of the TCc and infrastructure works for an indicative amount of EUR 17,620,000. An amount of EUR 5,200,000 out of EUR 17,620,000, originally planned for actions in the wastewater and solid waste treatment, shall be specifically assigned for the construction and supervision of the new trunk sewer project referred at paragraph a. above.

c. Changes to the Aid Programme 2015

The Aid Programme 2015 includes amongst its priorities the development and restructuring of infrastructure for an indicative amount of EUR 8,650,000. An amount of EUR 2,000,000 out of EUR 8,650,000, originally planned for actions in the solid waste treatment, shall be specifically assigned for the construction of the new trunk sewer referred at paragraph a. above.

The Aid Programme 2015 includes also amongst its priorities the protection of cultural heritage under the auspices of the TCCH. An amount of EUR 1,400,000 was planned for this purpose. Since the TCCH will be already well-resourced from earlier years as a result of the reallocation within the 2013 Aid Programme, this amount shall be also specifically assigned for the construction of the new trunk sewer project referred at paragraph a. above.

As a result of the reallocation of funds in 2013, 2014 and 2015 the total budget for the construction and the supervision of the new trunk sewer will amount to EUR 8,600,000 which corresponds to the new estimate of the re-design to mitigate the property ownership issue: EUR 5,200,000 from 2014 Aid Programme and EUR 3,400,000 from the 2015 Aid Programme.

ANNEX I

Legal basis:

Council Regulation (EC) No 389/2006 of 27 February 2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community and amending Council Regulation (EC) No 2667/2000 on the European Agency for Reconstruction.

Work Programme for 2016:

Beneficiary	Turkish Cypriot community
CRIS/ABAC Commitment references	TCC/2016/039-503, SCR.DEC.039503.01
Total cost	EUR 33,408,392
Union Contribution	EUR 33,408,392
Budget line	13 07 01
Management Modes/ Entrusted Entities	Direct management by the European Commission Indirect management by entrusted entities: United Nations Development Programme European Bank for Reconstruction and Development Pillar-assessed grants to World Bank and International Monetary Fund
Final date for concluding procurement and grant contracts	3 years following the date of validation of the budgetary commitment with the exception of the cases listed under Article 189(2) of the Financial Regulation
Final date for contract implementation	6 years following the date of validation of the budgetary commitment.
Final date for programme implementation (date by which this programme should be de-committed and closed)	10 years following the date of validation of the budgetary commitment.
Programming and Implementing Unit	SRSS.05 Cyprus Settlement Support

1.1. Introduction

This 2016 Annual Programme concerns the continuing implementation of the Aid Programme for the Turkish Cypriot community on the legal basis of Council Regulation (EC) No 389/2006, the "Aid Regulation", which establishes an instrument of financial support for encouraging the economic development of the Turkish Cypriot community (TCc). Between 2006 and the end of 2015, over EUR 400 million was programmed for operations under this Regulation.

On the basis of the objectives, as laid down in Article 2 of the "Aid Regulation", this work programme contains the actions to be financed and the budget breakdown for the year 2016 as follows:

- **for grants implemented under direct management (1.2): EUR 17,350,000**
- **for procurement implemented under direct management (1.3): EUR 12,658,392**
- **for actions implemented under indirect management modes (1.4): EUR 3,400,000**

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, improving contacts between the two communities and with the EU, and preparation for the lifting of the suspension of the *acquis* following a settlement of the Cyprus problem. The objectives, as laid down in Article 2, are:

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 European 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; and*
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.*

The political process under the auspices of the UN for the settlement of the Cyprus problem was effectively re-launched during the summer of 2015. The Commission has stepped up its efforts in support of this process and in preparation for a settlement – both through supporting the UN-led bi-communal settlement process and by supporting the Turkish Cypriot community through the Aid Programme.

The Aid Programme is intended only as an instrument of exceptional and transitional nature and the Commission continues to hope for a breakthrough that will lead to a comprehensive

settlement. In this event, assistance of a different form will be required. Council Regulation No 1311/2013, laying down the Multi-Annual Framework 2014-20, allows for its own revision¹ and Article 11 of Council Regulation (EC) No 389/2006² allows for any necessary adaptations in this context.

The Commission has been pursuing the six objectives of the Aid Regulation since 2006, but as a comprehensive settlement may potentially be within reach, it is clear that reunification will have a more immediate and far-reaching impact on some sections of the Turkish Cypriot community than on others. The exact needs generated by settlement remain unknown as they depend on the division of competences between the presumed federal and constituent state levels in a future United Cyprus. It is therefore not possible, at this point in time, to fully anticipate such needs in the planning of the Aid Programme. Some changes may be foreseen within the remit of the current programming – notably through a dedicated support facility - but it is likely that most needs would have to be addressed through future amendments or interventions in the event of a settlement.

The programme choices for 2016 take into account input received from Turkish Cypriot stakeholders and from relevant evaluations and needs' assessments conducted prior to the programming exercise. The views of the authorities of the Republic of Cyprus were also taken into consideration.

Apart from the EU-financed Aid Programme under Council Regulation 389/2006, support from other international donors such as USAID and the United Kingdom is being wound down.

Objective 1: development and restructuring of infrastructure

The wide ranging mandate of the Aid Regulation has necessitated long-term engagement in some fields and long lead times for some projects, for example wastewater treatment or landfill construction, and there will be a continuing need for such investment for many years to come.

Development and restructuring of infrastructure has been well supported under the Aid Regulation with around 38% of total Aid Programme resources allocated to this area from 2006 up to the end of 2015.

Currently, a number of infrastructure projects are in the process of being implemented on the grounds for which sufficient resources have already been made available (a new trunk sewer for Nicosia and Kioneli/Gönyeli, a second cell for the central landfill at Kutsoventis/Güngör,

¹ Council Regulation No 1311/2013 Art. 22 : "In the event of the reunification of Cyprus between 2014 and 2020, the MFF shall be revised to take account of the comprehensive settlement of the Cyprus problem and the additional financial needs resulting from the reunification."

² Article 11: "**Event of a settlement.** In the event of a comprehensive settlement of the Cyprus problem, the Council shall, on the basis of a proposal from the Commission, decide unanimously on the necessary adaptations to this Regulation.

a central collection, treatment and disposal system for animal by-products). In addition, a number of complementary activities related to restructuring and infrastructure have also already been financed (for example: design studies – including those for potential future investments such as the reuse for agriculture of treated wastewater and sludge produced by the waste water treatment plant at MiaMilia/Haspolat - services for supervision of the works, supplies of equipment - such as trucks for bringing waste to the landfill and for collecting animal-by products (ABPs) - incineration equipment for disposal of ABPs, equipment for treatment of hazardous medical waste, laboratory equipment for animal and plant health analyses).

As a result, the Aid Programme 2016 does not allocate any additional resources to the development and restructuring of infrastructure. However, the Programme will still ensure potential complementary funding for the Kioneli/Gönyeli section of the new trunk sewer (EUR 2 million, based on current estimates) under the Support Facility.

Objective 2: promotion of social and economic development

Promotion of social and economic development received almost 27% of total Aid Programme resources from 2006 up to the end of 2015.

Given the expected rapid application of the *acquis* following the settlement, the private sector - and in particular the SMEs - are likely to face a particular challenge of adjustment to competition and market requirements.

Against this background, a major part of the 2016 Programme resources (EUR 23.25 million, approximately 70%) will be allocated to promoting private sector and economic development by involving expert assistance, including from the International Financial Institutions (IFIs) (EUR 7.15 million), by providing direct assistance to TCc economic actors with the help of grants (EUR 14.3 million) and by procuring supplies and equipment for rural development (disposal of animal by-products - EUR 1.8 million).

Objective 3: reconciliation, confidence-building measures, and support to civil society

Support for confidence-building measures has been a successful and well-received element of the Aid Programme. The Commission has shown particular readiness to continue promoting these measures, including through reallocating resources under the 2013, 2014 and 2015 Financing Decisions in particular for supporting the opening of new Green Line crossing points.

For the continuation of its activities in 2017 and beyond, the Committee of Missing Persons (CMP) will receive:

- (i) An amount of EUR 2,600,000 under the 2016 Aid Programme; and

(ii) an additional amount of EUR 2,600,000 under the 2013 Aid Programme following the re-allocation of resources within the 2013 Programme as part of the re-programming exercise, which is regularly carried out by the Commission to ensure the most efficient use of the available funds³.

The support to the bi-communal Technical Committee on Cultural Heritage (TCCH) (island-wide restoration of monuments, mosques and churches) will be funded by a total amount of EUR 4.6 million under the 2013 Programme. This amount results from the original allocation in the 2013 Programme (1.4 million) and from the reallocation of resources within the same Programme (3.2 million) as part of the re-programming exercise, which is regularly carried out by the Commission to ensure the most efficient use of the available funds⁴.

This support has produced highly visible output and allowed for the restoration of buildings that are being readapted and used by the communities. The delivery method of this support, through indirect management by the UNDP, is well-tested and has proved efficient. The tasks entrusted to UNDP are all implementation activities including: procurement, payments, project management, monitoring and ensuring visibility.

Given the need to further strengthen the capacity of the Civil Society Organisations (CSOs) in the northern part of Cyprus, the 2016 Aid Programme will further support civil society projects with grants amounting to EUR 1 million.

Objective 4: *Bringing the Turkish Cypriot community closer to the European Union*

The implementation of the scholarship programme (opportunities given to students and professionals to study abroad) has been outsourced to the British Council. Earlier allocations from the Aid Programme provide coverage up to the academic year 2018-19. For this reason, no further allocation is required under the 2016 Programme.

Objectives 5/6: *preparation of legal texts aligned with the acquis communautaire/ preparations for the implementation of acquis communautaire*

The Aid Regulation specifically foresees assistance for preparing the implementation of the EU *acquis* and for preparing legal texts aligned with the EU *acquis* to be immediately applicable upon the entry into force of a comprehensive settlement of the Cyprus problem. In addition, the Commission is required to provide continued support for the implementation of Council Regulation 866/2004⁵ (the Green Line Regulation) and Commission Regulation 1480/2004⁶, thereby supporting the economic integration of the island.

³ See ANNEX II, Project 3, page 7 as well as the indicative budget table on page 8.

⁴ See ANNEX II, Project 3, page 6 as well as the indicative budget table on page 8

⁵ Council Regulation (EC) N°866/2004 of 29 April 2004 on a regime under Article 2 of Protocol 10 to the Act of Accession

⁶ 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

The main instrument used by the Commission for preparing the implementation of the EU *acquis* is the Technical Assistance and Information Exchange instrument (TAIEX). This instrument enables experts to be sent from EU Member States to the TCc to explain the *acquis*, awareness seminars to be held, draft legal texts to be prepared (in order to be applicable after settlement) and technical assistance to be provided. The resources allocated to TAIEX in the previous years are sufficient to cover the needs in the future. Therefore, there is no need for an additional allocation in the 2016 Annual Programme.

Support Facility

The 2016 Programme includes also a Support Facility (EUR 5,058,392) from which resources can be mobilised to take advantage of new emerging opportunities and to facilitate new initiatives from the settlement process, which the EU undertakes to support. Support interventions may be necessary at short notice in any of the objectives covered by the Aid Programme and the availability of resources for this purpose is essential to support the settlement process. In view of the ongoing process and the potential for political agreement, the Commission must be ready to deploy resources as opportunities arise, which are supported by both communities. These initiatives cannot be clearly identified at the programming stage. It is also envisaged that part of the funds under this facility may be allocated, if needed, to other relevant expenses such as for example to support infrastructure investments in the new trunk-sewer or for the Famagusta sewerage network repairs.

1.2. Grants

The objectives of the Aid Regulation which are implemented through calls for proposals or direct grants in the Aid Programme 2016 are the following:

- *The promotion of social and economic development including restructuring, in particular concerning rural development, human resources development and regional development (Objective 2 of the Aid Regulation); and*
- *Reconciliation, confidence-building measures, and support to civil society (Objective 3 of the Aid Regulation)*

1.2.1. Support to agriculture and rural development (Objective 2 of the Aid Regulation)

Priorities of the year [1], objectives pursued [2] and expected results [3]

[1] Support to agriculture and rural development

[2] Strengthening the agriculture value chain, including the dairy component

[3] **a) support for the TCc dairy sector Action Plan:** the dairy value chain is strengthened through grant support to dairy operators (particularly sheep and goat breeders) with the objectives of: (i) investing in farm assets that can improve milk yields and quality of milk; (ii) assisting in the application of bio-security measures and good farming practices, including animal welfare; (iii) helping to meet the EU food safety and animal health standards and (iv) meeting requirements for quality schemes, such as the PDO (Protected

Designation of Origin) for the Hellim/Halloumi;

b) support for the Rural Development Programme, in particular the establishment of the Farm Advisory Services.

Description of the activities to be funded

One of the continuous themes in the assistance to the TCc is the strengthening of the agriculture value chain. Against a background of wide-ranging needs, resources should be focused on priority areas, where the future *acquis* compliance is difficult to achieve or where the impact of improvements will be of greatest economic benefit. The 2016 Aid Programme will therefore provide grant funding as described below:

a) Support for the TCc dairy sector Action Plan

Currently, trade over the Green Line (from the northern part of Cyprus into the government-controlled areas) of products of animal origin is not allowed, except for honey and fresh fish. With a view to trading dairy products over the Green Line, the TCc has developed a dairy sector Action Plan covering the inter-related aspects of animal husbandry and health, milk collection and food safety, feed production, producers organizations, pricing and incentives/compensation/penalties to producers for the application of bio-security measures and good farming practices (for animal-health management; animal addition and movement; premises' management and sanitation; personnel, visitors, vehicles and equipment). The development of this Action Plan has received support from the EU under the Aid Programmes. To complement existing support measures to the dairy sector, such as animal disease prevention and control and safe management of animal by-products, and to contribute to the implementation of the dairy sector action plan, grants amounting to EUR 2.5 million will be provided to:

- dairy operators, especially those breeding sheep and goats, to:
 - invest in farm assets that can improve milk yields and milk quality; and
 - assist the dairy operators in the application of bio-security measures and good farming practices, including animal welfare.
 - compliance with EU requirements in term of animal health, animal welfare, food safety
- Halloumi/ Hellim producers in order to support their efforts to enhance:
 - the cheese value chain; and
 - conformity to PDO rules where applicable.

b) Support for the Rural Development Programme

With help from TAIEX experts the TCc has developed and is finalizing a *Rural Development Programme*, as required by the Regulation for the European Agricultural Fund for Rural Development. The highest priority measures in this Programme include measures to enhance knowledge transfer and to set up the Farm Advisory Services, as well as measures to facilitate

farm and business development. The TCc has asked for support for implementing and monitoring this Programme, including through technical assistance (TA) (for TA related support see 1.3.2).

The preparation of a Farm Advisory Services Strategy, which started early in 2016, is being financed under the 2013 Aid Programme. The establishment of Farm Advisory Services in line with the Strategy shall be financed through grants to farmers' associations or other suitable private sector/NGO bodies. An allocation of EUR 1.2 million is foreseen for this action.

Still under the Rural Development Programme, further grants amounting to EUR 2.5 million are foreseen for measures to increase the competitiveness and efficiency of farms and food processors, including investment support to upgrade establishments, and investment in physical assets and organic farming.

Essential eligibility, selection and award criteria

Eligibility criteria: Applicants shall be established in the northern part of Cyprus. Entities may be natural or legal persons.

Selection criteria: Financial and operational capacity of the applicant (sufficient capable staff and sound financial records).

Award criteria: Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

Implementation

The actions will be implemented directly by the Commission.

Indicative timetable and indicative amount of the call for proposals

Reference	Date	Amount
Dairy sector	1Q2018	EUR 2,500,000
Rural Development Programme including Farm Advisory Services	4Q2017	EUR 3,700,000

Maximum possible rate of co-financing of the eligible costs

85%

1.2.2. Support for SMEs (Objective 2 of the Aid Regulation)

Priorities of the year [1], objectives pursued [2] and expected results [3]

[1] Support for SMEs

[2] Improving the competitiveness of and innovation in SMEs

[3] a) Enhanced SME competitiveness and readiness for EU trade through adherence to EU standards and preparation for "CE" marking

b) Increased labour productivity and employment in the private sector through financing the modernisation of and innovation in enterprises.

Description of the activities to be funded

The Aid Regulation gives prominence to economic development of the TCc. The *2015-2016 Competitiveness Report on the Turkish Cypriot Economy* by the TC Chamber of Commerce, following a WEF (World Economic Forum) protocol, indicates that TC economy ranks 121 out of 141 economies in terms of competitiveness. This points to a challenge for businesses, in particular for the SMEs, which make up 99% of the TC businesses, in being able to maximise the benefits from the future access to the EU Single Market.

Since its inception in 2006 and up to the end of 2015, the Aid Programme has supported the business environment in general and TC businesses in particular through technical assistance and grants to an amount of around EUR 15 million.

In addition to this, in February 2016, the Commission – under the Aid Programme - signed a four-year agreement with the European Bank for Reconstruction and Development (EBRD) (EUR 1.65 million) to provide assistance for the rollout of a comprehensive SME Competitiveness Facility. This Facility will combine advice to local consultants and financial intermediates with access to finance by the EBRD, which has earmarked EUR 25 million for this purpose.

In June 2016, the TCc adopted an SME strategy, which mirrors the SME strategy adopted in the Republic of Cyprus. The strategy aims at "turning the SMEs into the driving force of economic growth" in the TCc, notably by favouring innovation, enhancing productivity and the production of high-quality goods and services, improving the qualifications of the labour force and ensuring an industrial transformation with a maximum level of safety of environment and occupations.

Support under the 2016 Aid Programme

Against this background, and in line with the TCc SME strategy, the 2016 Aid Programme will support the development of a more performing business environment in the TCc by:

a) enhancing the competitiveness of the TCc SMEs by modernising their production process through, for example, the introduction of Total Quality Management (TQM) schemes, as well as enhancing the quality of their goods and services with a view to complying with EU standards and with the criteria for obtaining CE markings;

b) developing the technical, innovative and administrative skills of the SMEs, through encouraging their use of Information Technology, encouraging their recruitment of skilled labour, supporting the development of R&D departments and supporting their use of innovative machinery and means of production.

Two grant schemes are planned for the above mentioned objectives, one directed towards established enterprises and the other directed towards start-ups.

Essential eligibility, selection and award criteria

Eligibility criteria: Applicants shall fall under the EU “Small and Medium Enterprise” definition and shall be established in the northern part of Cyprus. Entities may be natural or legal persons.

Selection criteria: Financial and operational capacity of the applicant (sufficient capable staff and sound financial records).

Award criteria: Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

Implementation

The actions will be implemented directly by the Commission.

Indicative timetable and indicative amount of the call for proposals

Reference	Date	Amount
SME competitiveness and start-ups	2Q2017 (1 st call for the established enterprises) / 4Q2017 (2 nd call for the start-ups)	EUR 5,000,000

Maximum possible rate of co-financing of the eligible costs

85%

1.2.3. Support for innovation in education (Objective 2 of the Aid Regulation)

Priorities of the year [1], objectives pursued [2] and expected results [3]

[1] Support for innovation and change in education (school education and adult education/life-long learning)

[2] Contributing to the implementation of the three strategies, which are being developed by the TC for enhancing education and employment (i – the vocational education strategy, ii - the lifelong learning strategy and iii - the employment strategy)

[3] Improved teaching and learning methodologies, increased number and quality of lifelong-learning opportunities, improved labour market flexibility

Description of the activities to be funded

Improving education and enhancing training opportunities is a fundamental factor for the social and economic development of the TCc. Since 2008, the Aid Programmes have directly supported schools and financed vocational training and lifelong learning programmes in the TCc. In particular, technical assistance funded by the Aid Programmes (including TA from the World Bank), is supporting the TCc in improving the qualifications framework as well as in developing and implementing a vocational education strategy, a lifelong learning strategy and an employment strategy, all of which are due to be completed by the end of 2016.

The 2016 Aid Programme will continue supporting the implementation of the above-mentioned strategies. In particular, it will focus on improving the future skills and competencies in the labour market by promoting innovation in education (inter alia by changing learning methodologies and enhancing the use of IT tools), and improving employability by creating lifelong learning opportunities.

The support will be provided through a call for proposals.

Essential eligibility, selection and award criteria

Eligibility criteria: Applicants shall be established in the northern part of Cyprus. Entities may be natural or legal persons

Selection criteria: Financial and operational capacity of the applicant (sufficient capable staff and sound financial records).

Award criteria: Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

Implementation

The actions will be implemented directly by the Commission.

Indicative timetable and indicative amount of the call for proposals

Reference	Date	Amount
Innovation and change in education	2Q2017	EUR 3,100,000

Maximum possible rate of co-financing of the eligible costs

90%

1.2.4. Economic monitoring/strategy (Objective 2 of the Aid Regulation)

Priorities of the year [1], objectives pursued [2] and expected results [3]

[1] Economic monitoring/strategy

[2] (i) Enhance local understanding of constraints impeding economic development; (ii) identify options for necessary policy reforms; and (iii) provide support to build capacity for the implementation of these policy reforms.

[3] Identification of the constraints faced by the TCc in improving policies in various sectors (including fiscal policy) as well as in improving overall policy coordination. Suggestions for enhancing the capacity of the TCc to address these constraints and implement the necessary reforms. Capacity-building and concrete support for implementation

Description of the activities to be funded

In parallel with the political settlement process, economic analysis and advisory services are needed to support the economic, fiscal and financial viability of a solution. Since 2006, the World Bank has been engaged to produce macroeconomic analyses, regular monitoring reports and deliver studies on topics relevant to competitiveness, economic development and Green Line trade of the TCc.

Against this background, the 2016 Aid Programme will continue to engage the expertise of the World Bank to build on the analytical and advisory work done so far and continue to provide advice and targeted support to the TCc.

In particular, the WB will be engaged to continue to (*details to be confirmed in consultation with all relevant stakeholders during the contract preparation stage*):

(i) collect and analyse macroeconomic data and produce regular macroeconomic monitoring reports on aspects such as the economic cycle, the effects of currency appreciation or depreciation on domestic prices and the balance sheet, the trend in external imbalances, labour market trends, fiscal sustainability, and risks to the medium-term outlook;

(ii) deliver financial and fiscal analyses looking into areas such as public investment

management, macro-fiscal programming, and access to finance by households and enterprises;

(iii) carry out studies on topics relevant to competitiveness, economic development and Green Line trade, such as the business environment and the investment climate in the TCc, education (including vocational training), the labour market and the agriculture sector.

Under this grant, it is expected that the World Bank will produce 2 annual macroeconomic notes and at least 4 actionable reports/policy notes on identified key sectors of growth in the TCc. These analyses will contribute to a better understanding of the constraints impeding economic development and will contain options for reforms.

In addition, the World Bank will support the implementation of the reforms by organizing various workshops aimed at building the capacity of relevant stakeholders in the TCc.

The support from the World Bank will address the macroeconomic constraints faced by the TCc. This support will be complementary to the support provided by the Aid Programme at microeconomic level, such as the grants (chapter 1.2.2) and technical assistance provided to the private sector (chapter 1.3.2 and 1.4.1)

Essential eligibility, selection and award criteria

Direct award

The Financial Regulation foresees direct engagement of international organisations with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power, on condition that the actions concerned do not fall within the scope of a call for proposals. The mechanism proposed for implementing this is the use of a pillar assessed (PA) direct grant.

- Name of the beneficiary: The World Bank Group
- Justification for the use of an exception to calls for proposals: In line with the Rules of Application, Article 190 (f), a direct award grant is foreseen, because the work requires sensitive interaction with the beneficiary and collection and analysis of data of a sensitive nature. A body with respected international standing is therefore needed for the grant implementation. Besides this, the work is very technical in nature and reporting and analysis at World Bank standards is required for compatibility with past and ongoing work.
- The essential selection criteria: Competence, financial and operational capacity of the applicant (sufficient capable staff).
- The award criteria: Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

Implementation

Grant awarded without a call for proposals

Indicative timetable and indicative amount of the grant(s) awarded without a call for proposals

Reference	Date	Amount
Economic monitoring and strategy / The World Bank	1Q2017	EUR 1,250,000

Maximum possible rate of co-financing of the eligible costs

100%

Full financing of the action is essential for the action to be carried out with maximum EU visibility.

1.2.5. PFM review and capacity building (Objective 2 of the Aid Regulation)

Priorities of the year [1], objectives pursued [2] and expected results [3]

[1] Public financial management review and capacity building

[2] Improved effectiveness, control and efficiency of the public financial management (PFM) and related systems and bringing them in line with EU standards

[3] Enhanced monitoring and improved fiscal financial governance

Description of the activities to be funded

The Cyprus settlement will require significant fiscal reforms by the TCc. There is much capacity and institutional building necessary to be done. It is important to intensify such support as the political process evolves.

A grant will be concluded with the International Monetary Fund with the aim of improving the effectiveness, control and efficiency of public financial management (PFM) and related systems and bringing them into line with EU requirements.

Essential eligibility, selection and award criteria

Direct award

The Financial Regulation foresees direct engagement of international organisations with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power, on condition that the

actions concerned do not fall within the scope of a call for proposals. The mechanism proposed for implementing this is the use of a pillar assessed (PA) direct grant.

- Name of the beneficiary: The International Monetary Fund (IMF)
- Justification for the use of an exception to calls for proposals: In line with the Rules of Application, Article 190 (f), a direct award grant is foreseen, because the work requires a sensitive interaction with the beneficiary and collection and analysis of data of a sensitive nature. A body of respected international standing is therefore needed for the grant implementation. Besides this, the work is very technical in nature. The IMF has recognised and relevant experience in the field of public financial management and a high level of specialisation and technical competence. In parallel, IMF is working on similar issues with the Republic of Cyprus.
- The essential selection criteria: Financial and operational capacity of the applicant (sufficient capable staff).
- The award criteria: Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

Implementation

Grant awarded without a call for proposals

Indicative timetable and indicative amount of the grant(s) awarded without a call for proposals

Reference	Date	Amount
PFM review and capacity building	2Q2017	EUR 800,000

Maximum possible rate of co-financing of the eligible costs

100%

Full financing of the action is essential for the action to be carried out with maximum EU visibility and is justified in view of the engagement of the IMF on a parallel, but complementary programme in support of the Republic of Cyprus.

1.2.6. Support for civil society (Objective 3 of the Aid Regulation)

Priorities of the year [1], objectives pursued [2] and expected results [3]

[1] Support for civil society, reconciliation and active citizenship

[2] Strengthen civil society in the Turkish Cypriot community and their actions in order to develop a culture of dialogue, participation in community life and promotion of values of tolerance, peace, and active citizenship

[3] Strengthened Civil Society Organisations (CSOs) networks in the TCc; enhanced engagement of CSOs and citizens in policy dialogue in the TCc; enhanced cooperation between CSOs from across Cyprus through bi-communal joint actions and links

Description of the activities to be funded

The Treaty on the European Union (Article 2) states that *the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.* An empowered civil society can play an important role in ensuring these principles are upheld in practice. It is also in itself a crucial component of any democracy. By articulating citizens' concerns, civil society organizations (CSOs) are active in the public arena and engage in initiatives that foster pluralism and further participatory democracy.

The extent of social and political engagement in the northern part of Cyprus remains limited and the effectiveness of advocacy is also low. In particular, the CSOs themselves have few resources and the impact of CSO activities lacks sustainability. Through the Aid Programme, the Commission has consistently tried to maintain contact with individual citizens and civil society groups in the northern part of Cyprus in order to consolidate and enhance the platforms that exist as well as to stimulate the adoption of EU values of dignity and democracy. It is particularly important to maintain this link at a time when the two communities have re-engaged in settlement talks and the civil society needs to be heard.

There are currently 18 CSO projects (many of them in bi-communal partnership) and more than 40 CSOs across Cyprus supported by the funds under 2014 and 2015 Aid Programmes.

Given that USAID, the other main donor to civil society's capacity building, closed its programme at the end of 2015, continued access to EU funding for Civil Society is even more vital to ensure that active citizens and CSOs are pursuing their actions.

Against this background, the 2016 Aid Programme will continue to support the development of a culture of dialogue, the participation in community life and the promotion of values of tolerance, peace, and active citizenship. In particular, the 2016 Aid Programme will finance actions under a new, seventh grant scheme to stimulate bi-communal activities and promote more active citizenship and volunteering, through:

- Promoting the benefits of bi-communal work – including through research, evaluation and outreach;
- Supporting the development of good practice and strengthening of civil society initiatives, particularly those engaged in, or that have the potential to become engaged in, bi-communal or peace building activity;
- Widening the base of those involved in civil society and in particular bi-communal work through supporting projects that are reaching out to underrepresented sections of the

community;

- Connecting CSOs and students and promoting internship programmes between CSOs and TCc universities and/or other educational establishments to increase volunteerism.

Essential eligibility, selection and award criteria

Eligibility criteria: Applicants shall be established in the northern part of Cyprus. Entities may be natural or legal persons

Selection criteria: Financial and operational capacity of the applicant (sufficient capable staff and sound financial records).

Award criteria: Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

Implementation

The actions will be implemented directly by the Commission.

Indicative timetable and indicative amount of the call for proposals

Reference	Date	Amount
Support to Civil Society	4Q2016	EUR 1,000,000

Maximum possible rate of co-financing of the eligible costs

95%

1.3. Procurement

The objectives of the Aid Regulation which are implemented through procurement procedures in the Aid Programme 2016 are the following:

- *The promotion of social and economic development including restructuring, in particular concerning rural development, human resources development and regional development (Objective 2 of the Aid Regulation)*
- *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 (Objective 4 of the Aid Regulation)*

In addition, under the Aid Regulation, assistance may also be used to cover in particular the costs for supporting activities.

1.3.1. Disposal of animal by-products (Objective 2 of the Aid Regulation)

Subject matter of the contracts envisaged

Contribution to eradication of animal disease. Safe disposal of animal by-products (ABP), collection, storage, transport and disposal system in place.

As early as 2012, the Turkish Cypriot community requested high priority attention for the eradication of animal diseases. Apart from significant commercial implications for farms, many of which are already struggling financially, a number of these diseases are zoonoses (infectious diseases that can be transmitted between species from animals to humans) and are a public health concern. Risk of contagion across the Green Line makes this an island-wide issue. A disease eradication programme started with pilot epidemiological work in 2012. As part of this action, a system for the safe disposal of animal carcasses and animal by-products must be implemented to safeguard public and animal health and protect the environment. Management of animal by-products is strictly regulated in the EU and collection, storage and disposal methods are defined according to the level of risk they pose.

The overall objective of the contracts envisaged will be to contribute to the development and the establishment of a properly-governed ABP management system in the northern part of Cyprus. Two contracts are envisaged:

- a works contract: construction of facilities to collect, store, transport and dispose, through incineration, high risk (Category 1) ABP materials. The facilities will consist of seven decentralized collection and storage points, one call centre, and one central collection, transport and incineration centre;
- a supply contract for additional equipment required for continuous gas emission monitoring of the incineration centre.

While initially an allocation for ABP disposal was made under 2013 Aid Programme, the project could not be tendered because the data needed for the technical specifications to complete the disposal system had not been made available in a timely fashion. In order to allow adequate planning of this project, the funding will be provided under the 2016 Aid Programme. The initial resources under 2013 Aid Programme will be reallocated to cultural heritage initiatives.

Type of contract and type of procurement

Works and supply contracts

Indicative amount per contract

EUR 1,800,000 for works and supply contracts

Indicative number of contracts envisaged

Indicative timeframe for launching the procurement procedure

- 2 contracts (1 works / 1 supply) - 1Q2017

Implementation

The actions will be implemented directly by the Commission.

1.3.2. Technical assistance for promotion of social and economic development (Objective 2 of the Aid Regulation)

Subject matter of the contracts envisaged

Technical assistance for:

- a. Rural Development Programme: building the capacity of the TCc for monitoring the implementation of the *Rural Development Programme*
- b. Support for the private sector: further development of the private sector, inter alia through assistance for the adoption of efficient, effective and quality processes and products, compliance with EU production and products standards, achievement of CE marking as well as identification of future business opportunities, in particular following settlement
- c. Support for the Programme Management Unit (PMU): provision of support to the Commission and to TC potential and actual grant beneficiaries for the implementation of grant schemes and related grant contracts.

a. Rural Development Programme

The implementation of the new EU financed TCc *Rural Development Programme* will need to be monitored. Currently, the necessary capacity for such monitoring is lacking in the TCc. The TCc has therefore specifically requested technical assistance to build its own capacity to monitor the implementation of the above mentioned Programme. In providing the requested capacity building support, the technical assistance will in particular train the TCc to apply EU best practises in terms of project monitoring and benchmarking. This technical assistance is complementary to the grants provided to farmers and food processors as defined in point 1.2.1.

b. Support for the private sector:

The current technical assistance contract to support the development of the private sector started in November 2015. It is providing advice and strategic support to stakeholders in the TCc at various levels, including to business support organisations such as chambers and investment promotion agencies. By strengthening the capacities of such key stakeholders to support private sector development in the TCc, the technical assistance aims overall to promote private sector growth and move the economy away from its reliance on the public sector, to support private job creation, and ultimately to contribute to increasing income convergence with the government-controlled areas.

In 2016, it is foreseen that this technical assistance will be continued in order to help identify future business opportunities, identify areas for future grant interventions and strengthen even further the capacity of the representatives of the private sector, such as chambers.

Through the 2016 Aid Programme, the technical assistance will provide fact-finding and

needs-assessments studies on relevant subjects for private sector development. For instance, the technical assistance will focus on providing recommendations and guidance to the TCc for (i) implementing and better exploiting synergies with the government-controlled areas, (ii) introducing quality schemes such as Total Quality Management (TQM) and (iii) improving quality of services and goods with a view to complying with EU standards and with the criteria for obtaining CE markings.

This technical assistance is complementary to the grants provided to SMEs as defined in point 1.2.2.

c. Support for the Programme Management Unit (PMU)

Since 2008, a PMU contracted by the Commission under a service contract funded by the Aid Programme has been providing services to the Commission as well as to potential and actual grant beneficiaries in the TCc for the implementation of Aid-Programme-funded grant schemes. The PMU activities are varied and cover the full project cycle. These activities include the provision of:

a) support to the Commission for: i) informing the TCs about open calls for proposals, related objectives, aims, and selection procedure; ii) assessing grant applications and preparing contract documents; iii) monitoring the implementation by TC grant beneficiaries of the grant-funded actions;

b) support to grant applicants and grant beneficiaries with a range of training activities;

c) assistance to grant beneficiaries in the implementation of the EU-funded grant actions, *inter alia*, in relation to i) sub-granting/secondary procurement of services, supplies or works and ii) reporting to the Commission.

PMU processes have been gradually refined and, *inter alia*, help give assurance to the Commission that the applicable procedural rules are followed by grant beneficiaries. In view of the significant additional volume of work that will arise from the grant programmes foreseen under the 2016 Aid Programme, continuation of the PMU work is of crucial importance.

Type of contract and type of procurement

Service contracts

Indicative amount per contract

EUR 1,500,000 - TA for building TCc capacities for monitoring the implementation of the <i>Rural Development Programme</i>
--

EUR 1,300,000 – TA for further private sector development

EUR 1,500,000 – PMU technical assistance
--

Indicative number of contracts envisaged

Indicative timeframe for launching the procurement procedure

- 3 service contracts
- 2Q2017

Implementation

The actions will be implemented directly by the Commission.

1.3.3. Infopoint project: providing information about EU policies (Objective 4 of the Aid Regulation)

Subject matter of the contract envisaged

Objective 4 requires *Bringing the Turkish Cypriot community closer to the Union*. A successful vehicle in this respect has been the *Infopoint* project, which carries out a range of communication and visibility functions, providing information about EU policies and about actions in support of the TCc, promoting European culture, giving information about funding opportunities and maintaining a website and social media presence. This has considerably enhanced the visibility of the EU in the northern part of Cyprus. Since many of the EU projects in support of the TCc are not otherwise easily visible to individuals, maintaining the *Infopoint* activity remains vital. To ensure the continuation of *Infopoint*, which is run through a service contract, an allocation in the 2016 programme is required.

Type of contract and type of procurement

Service contract

Indicative amount per contract

EUR 1,500,000 (for a two-year period)

Indicative number of contracts envisaged

Indicative timeframe for launching the procurement procedure

- 1 service contract
- 1Q2017

Implementation

The actions will be implemented directly by the Commission.

1.3.4. Support Facility

Subject matter of the contracts envisaged

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 and costs for supporting staff, renting of premises and supply of equipment.*

In view of the on-going settlement process, the Support Facility can play an important function by providing additional resources for upcoming unforeseeable needs and activities that may facilitate the settlement process.

Various services of the Commission have been providing technical input to the bi-communal *ad hoc* Committee on EU preparation since 2015 (discussing future *acquis* compliance). More extensive technical assistance activities may be expected. The range of topics on which the two communities will engage is very wide and will eventually encompass the whole of the *acquis*. Support interventions may be necessary at short notice and availability of resources will be essential.

The Support Facility can also be used to procure small supplementary supplies for assistance programmed in the past or in the 2016 financing decision, such as for monitoring standardisation, for analytical laboratory work in critical fields and for development of farm advisory services.

The Support Facility may also provide resources for the completion of infrastructure works, such as the new Nicosia trunk sewer financed under the 2013 Aid Programme or the Famagusta sewerage network and solid waste management projects financed under the 2014 and 2015 programmes, should this prove necessary.

Finally, the Support Facility will provide resources for visibility actions, evaluations, and audits as well as monitoring and other supporting studies. Furthermore, it will provide resources for the logistic support to the EU Programme Support Office (EUPSO) in the northern part of Nicosia, which houses the Commission staff implementing the Aid Programme in the field.

Type of contract and type of procurement

Works, supply, service contracts

Indicative amount per contract

Overall amount EUR 5,058,392

Indicative number of contracts envisaged

Indicative timeframe for launching the procurement procedure

Not known yet given the nature of the Support Facility

Implementation

The actions will be implemented directly by the Commission.

1.4. *Actions implemented through indirect management*

The objectives of the Aid Regulation, which are implemented through indirect management in the Aid Programme 2016, are the following:

- *The promotion of social and economic development including restructuring, in particular concerning rural development, human resources development and regional development (Objective 2 of the Aid Regulation)*
- *Reconciliation, confidence-building measures, and support to civil society (Objective 3 of the Aid Regulation)*

1.4.1. *Technical assistance for promotion of social and economic development – EBRD credit facility (Objective 2 of the Aid Regulation)*

Amount

EUR 800,000 (to expand current advisory services over the four years of the agreement)

Implementing entity

EBRD, according to Article 58(1)(c) of the Financial Regulation.

The EBRD has a reputation and track record as a leader in developing small businesses and in laying foundations for sustainable growth. The model for EBRD intervention with credit facilities (the "Small Business Support Programme") is well developed and has a proven track record. Since 1993, it has facilitated advisory services to nearly 14,000 companies in 35 countries. This has been supported by more than 20 bilateral and institutional donors, primarily the European Union and the EBRD, who have provided over EUR 230 million of funding. With this support, the EBRD has helped beneficiaries improve their decision making, expand into new markets, introduce different product lines, achieve quality certification, reduce their energy use and redefine their approach to human resources. Based on performance measured one year after project completion, on average, 77% of beneficiaries had increased their turnover by an average of 23%, 57% had created new jobs, and 17% had secured external financing to continue their expansion. The same Programme has been running through share-holders funds in the governmental-controlled areas.

The Commission has signed a Financial and Administrative Framework Agreement (FAFA)

with the EBRD for use of the (PAGODA) Delegation Agreement form of contract.

Overall objective and purpose of the action

In 2015, the EBRD proposed that the Commission should allocate EUR 1.65 million over four years to implement a two-tiered comprehensive SME Competitiveness Facility in the Turkish Cypriot community. This action, which is currently being implemented, involves combining EBRD-funded SME credit lines (EUR 25 million over four years), supported by a technical cooperation programme with financial intermediaries (Window 1), with the provision of business advisory services directly to SMEs through consultancy assignments (Window 2). In line with the EBRD's strategic priorities, the funded action links the two fundamental elements needed for small business development: access to finance and business advice.

The additional EUR 0.8 million will be used under Window 2 in order to offer business advice from local and/or international consultants to additional TC SMEs, for a value of up to EUR 20,000 per consultancy, including advising, training and coaching on topics such as CE marking.

Expected results:

Improve SME performance by providing business advice from local and/or international consultants and building a sustainable market of advisory services.

1.4.2. Support to the Committee of Missing Persons (CMP) (Objective 3 of the Aid Regulation)

Amount

EUR 2,600,000

Implementing entity

UNDP (United Nations Development Programme) according to Article 58(1)(c) of the Financial Regulation.

The UNDP, as a UN agency, has a unique, trusted, neutral role and is a facilitator of the settlement process. The Technical Committees, through which the Confidence-Building projects are steered, were set up under the auspices of the UN. The projects (Committee of Missing Persons as well as Cultural Heritage Protection) involve dealing with delicate sensitivities of both communities.

The UNDP has considerable expertise on both the CMP and cultural heritage protection in Cyprus. Up to and including 2015, allocations were made for 8 Contribution Agreements (CAs) with UNDP for the CMP and 3 CAs with UNDP for support to the preservation of

cultural heritage. The UNDP has a good track record in the implementation of these CAs and has built up a high level of efficiency, considering the particular circumstances of the implementation. Contributions to the CMP have yielded the greatest achievement over the three years 2013-15, with 140 identifications by end of December 2013; 152 additional identifications by November 2014, and the opening up of all military areas to excavations by the end of 2015, successes never achieved in 7 years of project's implementation.

The Commission has signed a Financial and Administrative Framework Agreement (FAFA) with the UN for use of the (PAGODA) Delegation Agreement form of contract.

Overall objective and purpose of the action

The EU supports the CMP in establishing 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. Bi-communal scientific teams participate in all stages of the process e.g. in undertaking awareness sessions on the CMP in high schools in both communities. The CMP is an important and high-profile bi-communal activity. The three CMP Members presented the work to the UN Secretary General in May 2015 and, in December 2015, the two community leaders visited the CMP anthropology laboratory and made an appeal calling on all Cypriots to provide information to the CMP on possible burial sites. As time advances, new information becomes scarcer, although a significant breakthrough was achieved in 2015 with the granting of access over the period 2016-19 to 30 suspected burial sites under Turkish military control.

The EU will continue to support the CMP and the 2016 Aid Programme includes an allocation for the CMP that is in line with previous years. This allocation, together with an additional amount of EUR 2,600,000 that is being made available through re-allocation under the 2013 Aid Programme, is to cover a nominal 2-year period of implementation.

The tasks entrusted to UNDP will all be implementation activities including: procurement, payments, project management, monitoring and ensuring visibility.

Expected results:

- 1) build trust by bringing the two communities to work together;
- 2) reduce number of missing persons;
- 3) increase awareness

This translates into the following activities: a) Support to the bi-communal teams; b) Investigations, Excavations, Exhumations, DNA Analysis, Return of remains c) Events, training, awareness raising

60% of the budget allocated to the CMP goes to the core of its bi-communalism: it finances

part of the salaries of young Greek and Turkish Cypriots working as archaeologists, anthropologists, investigators, geologists, and geneticists, contracted by the respective communities. The related costs are partially covered by EU funds, partially by the funds of two communities. 15% of the project costs goes to the actual identification process (matching the DNA found in the bones with that of relatives); another 15% to the excavations. Remaining funds cover the daily laboratory costs.

1.5. *Indicative budget table by Objective*

Aid Regulation Objective	Procurement	Call for Proposals / Direct Grant Award	Indirect Management with IOs/MS Body	Totals	
	EUR	EUR	EUR	EUR	%
Objective 2: Social and economic development <i>RD programme/dairy sector plan</i> <i>Disposal of animal by-products</i> <i>Support to SMEs</i> <i>Support to education</i> <i>Technical assistance</i> <i>Economic monitoring/strategy</i> <i>PFM review</i>	 1,800,000 4,300,000	 6,200,000 5,000,000 3,100,000 1,250,000 800,000	 800,000	23,250,000	70
Objective 3: Reconciliation and confidence building <i>Support to CMP</i> <i>Support to CSOs</i>		 1,000,000	 2,600,000	3,600,000	11
Objective 4: Bringing TCs closer to the Union <i>Infopoint</i>	 1,500,000			1,500,000	4
Support facility	5,058,392			5,058,392	15
TOTAL	12,658,392	17,350,000	3,400,000	33,408,392	100

1.6. Assumptions and accompanying actions

There are several specific issues that must be resolved and agreed by relevant Turkish Cypriot community stakeholders before the 2016 programme can be fully implemented:

Objective 2: Promotion of social and economic development

- the actions leading to the implementation of the TCc dairy-sector action plan will require committed and continuous involvement of the beneficiaries. The many necessary technical improvements will be incorporated into the dairy-sector action plan;
- the implementation of the *Rural Development Programme* requires fulfilment of responsibilities by all involved actors;
- It is assumed that Green Line trade of dairy products will eventually be possible;
- It is assumed that grant applications of sufficient quality will be generated by businesses and agricultural operators.

Objective 3: Reconciliation and confidence building measures

- it is assumed that the bi-communal Technical Committee on Cultural Heritage will continue to meet regularly and to provide clear guidance on preferred priorities agreed by the two communities;
- the TCc shall ensure that monuments renovated in the northern part of Cyprus are subsequently maintained and accessible to the public and returned to use where possible.

It is, furthermore, assumed that the political settlement process will continue to evolve, allowing the Aid Programme to contribute to the ultimate goal of reunification of the island.

1.7. *Implementation modalities and general rules for procurement and grant award procedures*

DIRECT MANAGEMENT

Part of this programme shall be implemented by direct management by the Commission in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part One Title VI and Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part One Title VI and Part Two Title II Chapter 4 of its Rules of Application.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

INDIRECT MANAGEMENT:

Part of this programme shall be implemented by indirect management with entrusted entities other than the beneficiary in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

The change of management mode from indirect management to direct management, whether partially or entirely is not considered a substantial change provided that all essential elements of the actions have been specified in the initial text of the financing decision.

MONITORING

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

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.

1.8. Special conditions

In the implementation of actions financed under this Financing Decision, 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 decision 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.

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)
Final date for concluding <u>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 universities 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.

ANNEX III

The annex to Commission Implementing Decision C(2014) 9366 of 12 December 2014 adopting an Action Programme for the Turkish Cypriot community for the year 2014 is amended as follows:

1) Section 1 is replaced by the following:

1 IDENTIFICATION

Beneficiary	Turkish Cypriot community
CRIS/ABAC Commitment references	PHARE/2014/031-615 / SCR.DEC.031615.01
Total cost	EUR 32,960,000
EU Contribution	EUR 32,960,000
Budget line	22.03.01.00 C1 EUR 31,482,280.00 22.03.01.00 C4 EUR 1,446,907.21 22.03.01.00 C5 EUR 30,812.79
Management Mode/ Entrusted Entity	Direct management by the European Commission Indirect management by entrusted entity: UNDP – part of Action 2
Final date for concluding delegation agreements under indirect management	31 December 2015
Final date for concluding procurement contracts, grant contracts and delegation agreements	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, with the following exception: 7 years following the date of validation of the budgetary commitment for contracts for Famagusta networks and Koutsoventis/Güngör landfill works and supervision , where the works concerning infrastructures justify a longer implementation period.
Final date for programme implementation (date by which this programme should be de-	10 years following the date of validation of the budgetary commitment.

committed and closed)	
Programming Unit	SRSS.05 Cyprus Settlement Support
Implementing Unit/ EU Delegation	SRSS.05 Cyprus Settlement Support

2) Section 2 is amended as follows:

a) Subsection 2.1 is replaced by the following:

"2.1 PRIORITIES SELECTED UNDER THIS PROGRAMME AND DONOR COORDINATION

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. Between 2006 and the end of 2013, €337 million was programmed for operations under this Regulation.

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 objectives, as laid down in Article 2, are:

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.*

The 2014 programme takes into account the resumption of settlement talks between the two communities after the Joint Statement of the two leaders of 11 February 2014. This was followed by high level contacts with the Commission and with the United Nations and completion, in April, of the "screening" phase of the process, looking at previous negotiating positions. The Commission underlined that it is keen to play its part in supporting the

negotiations and to offer all the support the parties and the UN find most useful. Under the assistance programme this includes anticipation of the need for implementation of the *acquis* following settlement and for confidence building. Support to the Technical Committee on Cultural Heritage and to the Committee on Missing Persons will continue, noting the good performance and significant delivery under both these programmes in 2013.

The choice of actions within the wide objectives of the Aid Regulation are made to maintain continuity with previous interventions, ensure sustainability and tackle weaknesses in the preparation for *acquis* implementation while respecting absorption limitations on the side of the beneficiary. Reconciliation and confidence building measures remain high priority along with readiness to support advances in the political process, including revision of the programme if the evolving political scene requires it.

The programme choices for 2014 take stock of input received from Turkish Cypriot stakeholders and from relevant evaluations and needs assessments conducted in 2012-13. The views of the authorities of the Republic of Cyprus were also taken into account.

There is urgent need to repair the Famagusta sewerage network system, following the December 2013 termination of the construction contract. It is essential that protective measures are taken and major defects corrected while dispute arbitration of the cancelled contract is running. Defects in the partially implemented works are both inconveniencing the local community and damaging the treatment plant.

Another significant component of the 2014 programme is the second phase of the Koutsoventis/Güngör landfill, since the first "cell", completed earlier, has almost been filled.

Another priority intervention identified in the 2012 sector assessment was a new trunk sewer in the northern part of Nicosia.

The multiannual perspective offered by the MFF 2014-20 offers the opportunity for more strategic planning. In parallel, more systematic monitoring and performance evaluation is required and a new indicator set will be developed during 2014 to support the multi-annual perspective.

The Aid Regulation mentions other possible areas of intervention that are not targeted in the 2014 programme, either because they are already addressed by previous programmes or do not immediately offer projects of sufficient maturity. There is no 2014 allocation for Aid Regulation *Objective 4: Bringing the Turkish Cypriot community closer to the Union*, since both the scholarship programme and the *Infopoint* information centre are already financed until 2016. The 2014 programme, therefore, represents a concentration of effort, which will allow a more streamlined programme and contribute towards increasing the overall implementation rate.

The 2014 programme takes into account lessons learned from operational experience, from the 2009 and 2013 programme evaluations and from various

2012-13 sector assessments, the ECA performance audit¹ and from contract audits:

Achieving significant economic development is difficult under the current circumstances, given the local business, political and operating environment, although important contributions can be made to reconciliation, communicating EU values, social and environmental improvements and to modernised farming and other business practices. Economic convergence of the two communities is hard to achieve without the breakthrough in inter-communal contact that the political settlement would bring.

The Turkish Cypriot community struggles to put in place resources and structures for take-over and management of the investments made. This means that project follow-up, continued capacity building and, where appropriate, complementary investments are necessary to ensure sustainability. Due to lack of experience of the beneficiaries, grant schemes have been difficult to implement, particularly those with an infrastructure component. A dedicated Project Management Unit has been set up to assist grant beneficiaries. This PMU is based locally and makes frequent field trips to grant projects.

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 carries out some of the EU-funded activities. USAID is, however, decreasing its assistance to the northern part of Cyprus and moving to a regional approach. The British High Commission has a limited programme, recently on training of lawyers, and the British Council assists with language training and information on study possibilities. The EEA (Norway, Iceland, Liechtenstein) is supporting Cypriot civil society activities including inter-communal projects."

b) in Subsection 2.2, Action 1, point (1) ***Description of the Action, objectives and expected results*** is replaced by the following:***(1) Description of the Action, objectives and expected results***

The EU investments in infrastructure and social and economic development have been the major component under the Aid Regulation since 2006 with combined allocations of around EUR 240 million (about 70% of the total), covering an extensive range of activities in many sectors. The 2014 programme is very selective and concentrates on topics that need ongoing support, mainly wastewater and solid waste treatment.

Wastewater treatment

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

¹ European Court of Auditors Special Report No. 6, 2012: European Assistance to the Turkish Cypriot Community

assessment and technical workshops prioritised potential investments. The EU has funded much work in this area, with sewerage network replacement in main centres and three new wastewater treatment plants (WWTP) serving around 300,000 "population equivalents" i.e. including commercial customers. The new, bicommunal Mia Milia/Haspolat outside Nicosia, handed over in 2013, was 70% funded by the Nicosia Sewerage Board and 30% funded under the Aid Regulation.

Work in Famagusta included both a new WWTP and a 47 km sewer network with seven pumping stations. The network has been laid, but serious defects, particularly at connection points have been found. Negotiation with the contractor to remedy this has not been successful and the contract was terminated by the Commission in December 2013. The dispute arbitration process continues in 2014. The WWTP is accepting wastewater in the meantime, but is not yet handed over (mid-2014) and is suffering corrosion problems due to ingress of saline water into the network. The incomplete wastewater treatment in Famagusta is causing distress to the community. It is clear that the project must be completed and the WWTP brought to a status of efficient and sustainable operation. A further allocation is therefore required to cover immediate remedial works and supervision needs. A further phase will be necessary, before the system is complete, but additional financing will depend on the outcome of the continuing dispute adjudication process. The 2014 resources include EUR 1 million from the cashed performance guarantees from the original works' contract.

The physical work to be undertaken includes design review, works and supervision. The activities will be re-excavation where CCTV or pressure tests indicate defects that cannot be repaired by lining the tubes, repair and connection as necessary of sewerage network. Attention will be given to correct completion of the house connections, where a large number of problems are already identified. After the repair, careful backfilling, compaction, closure and asphaltting will be carried out.

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. The old asbestos main sewer, currently in use, and serving both communities is in critical condition, at the limit of its capacity and responsible for foul odours, affecting both parts of Nicosia. Installation of a new trunk sewer will facilitate the connection of more urban areas to the Mia Milia/Haspolat WWTP in line with the Urban Waste Water Treatment Directive. Construction of the new main sewer was identified in the Nicosia Master Plan and financing for this is included in the 2014 programme. This complements a financing allocation that will be made in the 2015 programme.

Solid waste treatment

The northern part of Cyprus has a history of uncontrolled dumping of waste, scavenging by humans and animals, waste dump fires and environmental damage. Under the Aid Regulation, legal texts compliant with the *acquis* under the Waste Framework Directive 2008/98/EC have been drawn up and

investments in physical waste management have been made. A major dumpsite at Kato Dhikomo/Aşağı Dikmen was closed, covered and rehabilitated and a new landfill was constructed at Koutsoventis/Güngör. This is intended for all the solid waste of the northern part of Cyprus and a transfer station and trucks have also been provided. The landfill project was conceived with four phases. Phase 1, the major earthworks and the first cell of 62,500 m² was already completed in 2011, but is likely to approach full capacity in 2015 and it is therefore necessary to implement Phase 2, which is the preparation and base sealing for a second cell of about 33,500m². The expected operations are:

Design, works/supply and supervision for: removal of the temporary dam between cells 1 and 2 of the Koutsoventis/Güngör landfill; removal of the rainwater collection pond, levelling and compaction of the landfill base; construction of the base sealing system with drainage layer and enlargement of the leachate drainage pipe; supply and installation of degassing plant with blower and high temperature flare.

Support to veterinary health and agricultural data

These fields have major implications for consumer protection, food safety and Green Line trade. There are significant risks for the post-settlement period unless the TCc is urgently brought up to EU standard in these areas. Activities are already underway for protection of animal health, eradication of animal diseases and disposal of animal by-products and carcasses, but the extent of the task is considerable and the beneficiary has substantial needs. An allocation is necessary under the 2014 programme to cover equipment and software requirements, including improvements to an animal Identification and Registration, system and to a farm registry system, recording and tagging equipment, laboratory equipment, tools, vehicles. The aim is to have fully functioning and sustainable systems for recording and updating of animal and farm information.

Support to local communities

Bodies at local level have a significant stake and responsibility in local affairs and quality of life of local communities. This is especially important in the rural areas, where basic services are often poorly managed or non-existent. There is a framework of duties that include: health and social welfare, urban development, economic development, welfare and security, education-culture and tourism, agriculture and transport. Most of the local bodies do not have the capacities and the means to fulfil these duties. The Commission has already invested in strategic planning for the rural areas through the Local Development Strategies, in which the local bodies play a substantial role. Local communities will also need to understand their obligations under the *acquis* and be able to meet them and also to adapt to European initiatives such as the LEADER approach. Lack of resources often means that there is a struggle to maintain services and that badly needed investments have to be deferred or cancelled. Administrative and technical capacity is variable and there is and little opportunity for training. A Call for Proposals will be designed specifically to provide opportunities for investment in basic infrastructures and services linked to capacity building. It is expected that at least five local communities (out of the total of 28) will benefit.

Economic monitoring and studies

In parallel to the political settlement process, economic analysis and advisory services are required. The World Bank will be engaged under a PA (pillar assessed) Grant to collate and analyse macroeconomic data and produce regular monitoring reports, deliver financial and fiscal analysis and carry out studies on topics relevant to competitiveness, economic development and trade. Deliverables will be annual macroeconomic monitoring notes and study reports (indicative number: 4).

ANNEX IV

The annex to Commission Implementing Decision C(2015)8757 of 11 December 2015 adopting an Action Programme for the Turkish Cypriot community for the year 2015 in amended as follows:

(1) Section 2 is amended as follows

a) Sub-section 2.1 is replaced by the following:

2.1 PRIORITIES SELECTED UNDER THIS PROGRAMME AND DONOR COORDINATION

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 (TCc). Between 2006 and the end of 2014, EUR 370 million was programmed for operations under this Regulation.

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 objectives, as laid down in Article 2, are:

- 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.*

The Commission monitors closely the settlement talks between the leaders of the two communities, which continue in 2015. The Aid Programme is intended only as a temporary instrument and the Commission continues to hope for a breakthrough that will lead to a comprehensive settlement. In this event, assistance in a different form will be required and Council Regulation

No 1311/213¹ laying down the Multi-Annual Framework 2014-20 allows for a revision to the programme.

The 2015 programme continues activities initiated under earlier programmes with sustainability and completion in some fields and fresh impetus in others. Despite the very wide scope and high ambitions of the Aid Regulation, a key consideration in the annual programming is to concentrate resources sufficiently to allow timely intervention and to produce impact.

Up to 2014, the EU investments in infrastructure have been the major component under the Aid Regulation with combined allocations of around EUR 150 million (about 40% of the total), covering mainly water, wastewater treatment and solid waste management. Further investments in waste management will be made in order to concentrate waste collection at the new Koutsoventis/Güngör landfill. Additional resources are needed for the construction of the new trunk in the northern part of Nicosia, planned under the amended 2014 programme

Under the heading *social and economic development* a new initiative is taken to stimulate the economic sector by collaboration with the European Bank for Reconstruction and Development (EBRD) by providing technical assistance to support a credit facility for SMEs.

One of the products with significant trade potential is the hellim/halloumi cheese of Cyprus for which an application for Protected Designation of Origin (PDO), by the Republic of Cyprus, covering the whole territory of Cyprus, is under consideration. Clearing the hurdles to meeting the EU food safety requirements is a prime goal of the TCc.

The *reconciliation and confidence building* actions are a centrepiece of the assistance given under the Aid Regulation and are highly visible and significant vehicles for intercommunal collaboration.

The Commission attaches great importance to the work of the Committee on Missing Persons (CMP), which establishes the fate of those persons declared missing by both communities as a consequence of the tragic events of 1963-64 and 1974. A bi-communal scientific teams works on exhumation of remains, identification and return to the families for burial as well as undertaking awareness sessions on the CMP in high schools in both communities. In its report of 10 November SWD(2015)216, the Commission noted that the process of granting the Committee on Missing Persons full access to all relevant archives and military areas needs to be expedited. Significant progress has recently been made in obtaining access to areas under military control. Mindful of the extreme importance of the work of the CMP, the Commission shall ensure that Aid Programme assistance is provided in 2015 at least at the same level as in 2014, in line with the CMP financial planning. It is not, however, necessary to allocate resources from the 2015 programme to continue this work, since transfers within an earlier

¹ OJ L347, 2.12.2013, p.884.

financing decision will be sufficient to support the CMP at the same level as in 2014.

The "outsourcing" of the scholarship grant scheme through indirect management will continue and the 2015 programme provides resources for the 2016-19 academic years for TCc students and professionals to study in other parts of the EU.

Achieving significant economic development, as targeted by the Aid Regulation, is difficult under the current local business, political and operating environment, although important contributions can be made to reconciliation, communicating EU values, social and environmental improvements and to modernising farming and other business practices. Economic convergence of the two communities is hard to achieve without the breakthrough that a comprehensive settlement would bring. The GDP per capita for the Turkish Cypriot community remains approximately half that of the government controlled areas and the long-term benefits of reunification are potentially enormous for the TCc and for Cyprus as a whole.

The programme choices for 2015 take stock of input received from Turkish Cypriot stakeholders and from relevant evaluations and needs assessments conducted prior to the programming exercise. The views of the authorities of the Republic of Cyprus were also taken into consideration.

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 carries out some of the EU-funded activities. USAID is, however, stopping its assistance to the northern part of Cyprus and moving to a regional approach. The British High Commission had a limited programme, recently on training of lawyers, and the British Council assists with language training and information on study possibilities. The EEA (Norway, Iceland, Liechtenstein) supported Cypriot civil society activities including inter-communal projects.

b) sub-section 2.2, point (1) *Description of the Action, objectives and expected results* is amended as follows:

i) Objective 1 is replaced by the following:

"Objective 1: Development and restructuring of infrastructure

Telecommunications

Telecommunications are specifically mentioned in Aid Regulation and the EU has carried out a EUR 10 million infrastructure project to upgrade the network in the northern part of Cyprus to a condition suitable for the market conditions there and in line with the European Union standards. This provides an Internet Protocol (IP) based

infrastructure, similar to the systems used EU-wide. This all-IP based network or Next Generation Network (NGN) can be used to provide various services (internet, telephony) using the same infrastructure. All equipment has been delivered and installed and the telecom infrastructure project is at its final stage.

Achieving hand-over and full sustainability has been a recurring problem with infrastructure and equipment delivered to the TCc. The NGN system is no exception in this respect, which needs special technical skills for effective operation. The Commission has delivered extensive follow-up support for many projects, including for telecommunications and continues to provide TA. The technology in this field continues to evolve and continuous investment is needed to maintain a modern telecommunications network. In order to further ensure sustainability and effective utilisation of the NGN equipment, vital spare parts that are likely to be withdrawn for the market in the short or medium-term must be obtained for the installed equipment. Similarly there may be some necessary upgrades of some components for full functionality. In addition to this, further technical training input preceding final transfer will be necessary.

Road traffic safety

In view of the significant requirements of the *acquis*, there has been a substantial amount of EU-supported work on drafting of texts for vehicle categorisation, vehicle testing and vehicle and driver licensing. One of the most critical issues in the field of road transport is that of inspection of heavy vehicles for safety purposes. Besides occasional roadside inspections, more thorough testing facilities, that currently do not exist in the northern part of Cyprus for heavy vehicles, are required. Equipment supply and operator training must be carried out.

To complete the modernisation of licensing systems, further assistance will be required, both to deliver necessary equipment and to ensure operator competence and sustainability of the licence issuing processes.

Renewable energy and energy efficiency (REEE)

Climate change actions, including reduction of fossil fuel usage and improved energy efficiency are of high priority in EU policy with ever more stringent targets being adopted. Development of renewable resources in Cyprus has lagged behind much of Europe and the power sector in the northern part of the island remains inefficient and tariffs high. The local potential for power generation particularly by photovoltaic devices is significant, however. Modern technology also makes wind power potentially viable in areas of moderate wind environment. Following the installation of an EU-funded 1.2 MW solar power plant, connected to the grid and running since 2011, further support action is necessary in the 2015 programme to maintain momentum in this field and energy is specifically mentioned as a topic

for assistance in the Aid Regulation. This is likely to include: studies of power needs; advice on integration of renewable energy into the energy mix; study of power storage possibilities; investigation of the potential for the development of local expertise and services; advice on energy saving and efficiency.

Solid waste management

The environment in general, and solid waste management in particular, are areas in which the Commission has taken a special interest in the northern part of Cyprus. These are fields where the *acquis* is demanding in terms of its requirements and where the local situation is currently very poor. The coverage of waste collection services is fairly high, but is organised separately by local communities and is haphazard in nature, with different collection systems. There are no major sorting or recycling facilities, except for barely sustainable, small scale initiatives. Local communities report that waste tariffs cover about 30% of the costs of service and many communities claim that improved waste management is the number one priority.

Uncontrolled dumping is normal practice. Over 70 dump sites that do not conform to any standard have been identified and these present a major risk to the environment. The Commission has provided a new landfill at Koutsoventis/Güngör, but this is used by only nine of the 28 communities. Considerable work remains in this area and the situation continues to deteriorate while dumpsite closure is not addressed. The 2015 programme therefore includes some further significant investments: non-compliant dumpsites will be closed and sealed. There are a number of sites which have already been studied and prioritisation will depend on a number of factors including accessibility and environmental impact. In addition, waste collection trucks will be provided and waste transfer stations are to be built, which will allow local collection vehicles to discharge their loads into larger vehicles for more economical transport to the landfill.

Water sector

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. The old asbestos main sewer, currently in use, and serving both communities is in critical condition, at the limit of its capacity and responsible for foul odours, affecting both parts of Nicosia. Installation of a new trunk sewer will facilitate the connection of more urban areas to the Mia Milia/Haspolat WWTP in line with the Urban Waste Water Treatment Directive. Construction of the new main sewer was identified in the Nicosia Master Plan and financing for this is included in the this programme. This complements a financing allocation made in the revised 2014 programme.

Expected results for Objective 1 are:

- Functionality of the NGN equipment assured at least until the end of 2018;
- Full transfer of the NGN operation to the beneficiary;
- Renewable energy and energy efficiency options established;
- One heavy vehicle inspection line functional with trained operators;
- Driver and vehicle licence issuing system established and functioning;
- Non-compliant waste dump sites closed and sealed to EU standards
- Waste transport equipment and installations in place for selected catchment areas in place.
- Trunk sewer constructed and operating"

ii) Objective 3 is replaced by the following:

"Objective 3: Reconciliation and confidence building measures

Support for Civil Society

The Treaty on the European Union (Article 2) states that *the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.* An empowered civil society can play an important role in ensuring these principles are upheld in practice. It is also in itself a crucial component of any democracy. By articulating citizens' concerns, civil society organizations (CSOs) are active in the public arena and engage in initiatives which foster pluralism and further participatory democracy.

The extent of social and political engagement in the northern part of Cyprus remains limited and the effectiveness of advocacy is also low. In particular, the CSOs themselves have few resources and the impact of CSO activities lacks sustainability. The Commission has consistently tried to maintain contact with individual citizens and civil society groups in the northern part of Cyprus in order to consolidate and enhance the platforms that exist and also to stimulate the adoption of EU values of dignity and democracy. It is particularly important to maintain this link at a time when the two communities have re-engaged in settlement talks and the civil society needs to be heard. To this end, the 2015 programme includes resources for the sixth grant scheme under the heading *Cypriot Civil Society in Action* to strengthen CSOs, increase civic engagement and foster cooperation between the

two communities. This will be supported by a previously financed technical assistance project that will start in 2015, providing thematic training and assisting CSOs in developing links, establishing platforms and management capacity.

Nicosia Buffer Zone study

The Buffer zone extends approximately 180 kilometres across the island. In some places in old Nicosia it is only a few meters wide. In other places the width is a few kilometres. Its northern and southern limits are the lines where the belligerents stood following the ceasefire of 16 August 1974, as recorded by the UN Peacekeeping Force in Cyprus. UNFICYP keeps permanent watch over the Buffer Zone, which is largely empty, although there are several villages or special areas (called Civil Use Areas), where more than 10,000 people live and/or work in line with UNFICYP's mandate to work toward a return to normal conditions.

Where the Buffer Zone passes through Nicosia, it divides the city and is a continuing and visible scar of the separation between the communities. The two Nicosia communities have, however, decided to cooperate and the Nicosia Master Plan (NMP), dating from 1979, contains many elements aimed at reversing decay and providing a general strategy for development of the city. Many important projects have been carried out to support the NMP with EU funds. Up to now, however, projects have not been implemented within the Buffer Zone itself, except for the infrastructure of the crossing points and for demining. Considerable interest exists on restorative work on buildings in the historic old city of Nicosia. These buildings have been abandoned and unmaintained since 1974 in this lifeless central zone of the city, which was for centuries the focal point of social activity. The mayors of the two communities have jointly approached the Commission to address this and the need for new confidence building initiatives to accompany the reinvigorated settlement discussions is strong. As a first step, a stock-taking and recommendations for a potential intervention programme will be needed.

Expected results for Objective 3 are:

- CSOs regularly network within and outside the northern part of Cyprus and build coalitions;
- Recommendations for Nicosia Buffer Zone development; Bi-communal engagement in Nicosia Buffer Zone studies."

c) in sub-section 2.2, in point (2) *Assumptions and accompanying actions*, Objective 3 is replaced by the following;

"Objective 3: Reconciliation and confidence building measures

- It is assumed that grant applications of sufficient quality will be generated by civil society organisations;
The two communities of Nicosia, in particular the Nicosia Master Plan team, must collaborate to provide clear priorities and preferences for intervention and should engage with community leaders to resolve political obstructions to eventual work in the Buffer Zone. It is assumed that UNFICYP will facilitate necessary physical access and provide"

d) in sub-section 2.2, point (3.1) *Essential elements of the action (for direct management)* is replaced by the following.

(3.1) Essential elements of the action (for direct management)

Procurement:

- the global budgetary envelope reserved for procurement:
Global amount EUR 20,187,900
- the indicative number and type of contracts:
3 works, 5 service and 4 supply contracts and 4 specific contracts under global Framework contract
- indicative time frame for launching the procurement procedure (Q=quarter):
Services (including under framework contracts): 1Q16 (4 contracts), 2Q16 (3 contracts), 3Q16, 4Q16;
Supply: 1Q16 (2 contracts), 3Q16 (2 contracts);
Works: 2Q16, 4Q16, 4Q17."

e) in sub-section 2.2, in point (3.2) *Entities entrusted with budget implementation tasks* , Objective 3 is deleted

f) in sub-section 2.2, point (4) *Short description of the budget implementation tasks entrusted to the entity*, is replaced by the following

"(4) Short description of the budget implementation tasks entrusted to the entity

It is planned to sign two Delegation Agreements:

EBRD: Support to SMEs (indicative amount EUR 1,650,000, 2Q16);
British Council: Scholarships (indicative amount EUR 7,500,000, 1Q16).

The tasks specifically delegated to the British Council will be all implementation activities including: preparation of the grant call documents, launch, interviews,

selection of candidates, contracting, payments, monitoring of candidates' progress, visibility actions and contacts with host bodies.

The tasks specifically delegated to EBRD will be all implementation activities including: procurements, payments, project management, monitoring and visibility actions.

Decisions necessary on strategy or policy lines will be taken by the Commission, including decisions on grant eligibility criteria.

All these organisations are well established in their respective fields and are long-standing, financially secure implementation partners of the Commission. Under the Aid programme, the Commission has already committed, under indirect management EUR 4 million for British Council."

(2) Section 3 is replaced by the following:

3. INDICATIVE BUDGET TABLE

Objective	Procurement	Call for Proposals / Direct Grant Award	Indirect Management with IOs/MS Body	Totals	
	EUR	EUR	EUR	EUR	%
Objective 1: Infrastructure <i>Telecommunications</i> <i>Road safety</i> <i>REEE</i> <i>Solid waste management</i> <i>Water sector</i>	850,000 500,000 300,000 7,000,000 2,000,000			10,650,000	31
Objective 2: Social and economic development <i>Dairy sector</i> <i>Support to SMEs</i> <i>Innovation/change in education</i> <i>Combatting fruit fly pests</i>	1,500,000 400,000	1,500,000	1,650,000	5,050,000	16
Objective 3: Reconciliation and confidence building <i>Support to civil society</i> <i>Nicosia buffer zone study</i>	300,000	1,500,000		1,800,000	6
Objective 4: Bringing TCs closer to the Union <i>Scholarships</i>			7,500,000	7,500,000	23
Objectives 5/6: Preparation for the <i>acquis</i>	2,600,000			2,600,000	8
Support facility	5,337,900			5,337,900	16
TOTAL	20,787,900	3,000,000	9,150,000	32,937,900	100