

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

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The Commission presents its Second Annual Report 2007 on the implementation of Community assistance under 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. This second report covers the period from 1 March until 31 December 2007.

The Commission describes the focus of activities during the reporting period.

**Reaching cruising speed in implementation:** preparatory measures in terms of preparing tender documents, as well as calls for proposal for grant schemes and works and service contracts were launched. All direct agreements not entailing calls for proposals as mentioned in the Commission Decisions were signed with UNDP and the Council of Europe with the exception of the History Teaching project where the Council of Europe did not countersign as it did not deem itself to be in a position to implement the project. The Republic of Cyprus put forward objections, saying that the way the project was structured and funded altered its previous existing co-operation framework with the Council of Europe and had requested the conclusion of formal arrangements (through the signing of a memorandum of understanding) not acceptable to the Council of Europe.

**Consolidating the implementation mechanisms** by recruiting additional staff and putting in place the required implementation procedures: due to programme's specific nature and the context in which the Commission is operating, this has entailed tailor-made arrangements. Implementation is and remains difficult because of the unique context within which the Commission is operating. Some of the challenges identified in the first annual report were encountered also during the course of 2007 and remain valid for the remainder of the implementation period:

## **Tight contracting deadlines and squeezing of the programme duration:**

- contracting of large-scale infrastructure investments within three years is proving challenging due to the lack of previous project preparation;

- activities planned to be carried out on an annual basis can only take place for three consecutive years (2007-2009) rather than the originally planned five (2005-2009). 2009 will be the last year when call for proposals for grant schemes for farmers, schools, local communities, civil society organisations, etc. will be launched. The last call for the scholarship scheme will be in September 2008. Additional funding will be needed to continue to support the Turkish Cypriot community after 2009.

**Property issues:** the location of most planned infrastructure investments has yet to be determined. Given the amount of property owned by Greek Cypriot private owners, some investments would be able to proceed only if these owners give their consent. The considerable time required by the Government of the Republic of Cyprus to provide information on private owners' names and the need to obtain consent has to be factored into an already very tight implementation schedule. Reserve projects will be prepared, in order to mitigate the risks of some projects not being able to go ahead due to the owners' lack of consent, but this might not be a sufficient mitigating measure to ensure contracting of all the planned investment projects.

**Low absorption capacity by the beneficiary community:** the Turkish Cypriot community is small and not well-equipped in terms of structures to receive such large resources in such a short time. Despite increasing ownership and co-operation, results are still mixed on this front.

**Co-operation between the Turkish Cypriot and Greek Cypriot communities:** the programme's success of the programme in attaining the overall objective of facilitating the reunification of Cyprus depends greatly on successful co-operation between the two communities on the island. Political issues not directly related to the aid programme per se but, rather, to the overall political context might induce either community to block implementation of certain parts of the programme. Implementation would be greatly facilitated by progress on the reunification process. The decision taken by the two Leaders to start their full-fledged negotiations on 3 September 2008, under the good offices mission of the United Nations Secretary-General will create a positive framework for facilitating the implementation and the success of this aid programme.