

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

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The Commission presents its Third Annual Report 2008 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 third report covers the period from 1 January until 31 December 2008.

It should be highlighted that 2008 saw the start of UN-facilitated talks on a comprehensive settlement between two leaders of Cypriot communities. By the end of the year, 13 rounds of negotiation had been held.

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

**Implementation:** preparing and revising tender dossiers, calls for proposals for grant schemes, works and services tenders and contracts, as well as supervision of the execution of contracts signed.

Turkish Cypriot counterparts are identified for each project. Turkish Cypriots are becoming familiar with EC procedures, in particular competitive tendering and selection procedures. As regards grant schemes, absorption capacity increased in the course of 2008. Some of the risks highlighted in the Second Annual Report 2007, in particular how the overall political context impacts on implementation of the aid, were encountered during this reporting period. In the course of February and March 2008, Cyprus submitted eight cases against the Commission before the Court of First Instance as well as eight requests for interim measures, arguing that the text of the procurement notices used in the programme implementation could imply recognition of a public authority other than the government of Cyprus and

requested the annulment of all procedures based on these notices.

**Progress by objective:** the overall objective of the Aid Programme is to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community with particular emphasis on the economic integration of the island, on improving contacts between the two communities and with the EU, and on preparation for the *acquis communautaire*.

**Further strengthening of the Programme Team:** to facilitate contracting and programme implementation ten additional staff were employed.

Some challenges mentioned in previous reports are still present. In the reporting period issues affecting the Aid Programme implementation included:

- **Cooperation between Turkish Cypriot and Greek Cypriot communities:** meetings were held with representatives of the Government as well as line ministries, particularly in the fields of environment, energy and telecommunications, with a view to taking into account island-wide planning aspects. As for property rights, there was a significant increase in project preparation in 2008 requiring verification of property ownership. To this end, the Commission requested the support of the Government of Cyprus to confirm the names of private owners. Obtaining the private owners' names is only the first step. The Commission must then request and receive their consent

before signing works contracts. Improved cooperation in 2008 facilitated programme implementation.

- **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 a short time. Considerable improvement was noted in the course of 2008.
- **Court cases, now withdrawn:** caused two to three months of delay in implementation of certain projects.
- **Delays concerning property:** as regards property, the Commission welcomes the increased pace of information provision by Cyprus during the second part of 2008. However, the time required to identify owners' names and the need to obtain their consent has to fit into the tight implementation schedule. This issue becomes more important as the 2009 contracting deadline approaches.
- **Shortage of funds:** following the preparation of technical documentation and adjustment of projects there is a significant shortage of funds and it might not be possible to finance one or more of the planned projects under the currently available funds.
- **Financing:** no additional resources requiring programming were made available under the 2008 budget.