

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

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**This Seventh Annual Report on the implementation of Community assistance** under Council Regulation (EC) No 389/2006 establishing an instrument of financial support for encouraging the economic development of the Turkish Cypriot community (TCc) covers the year 2012. Its main conclusions are as follows:

**Big contributions to environment:** the programme, which effectively started its implementation on the ground in 2009, has brought some visible benefits to the TCc during 2012, notably with big contributions to wastewater and solid waste management. More efforts will have to be made, however, to make progress in other environmental sectors, in particular on nature protection, and especially in respect of potential Natura 2000 sites. It is important to show that the EU can deliver effective assistance and a positive message. The Commission believes that it is now up to the TCc to ensure the sustainability of projects which have been delivered and accelerate the implementation of the assistance.

**Economic development:** progress towards meeting the main objective of the Regulation to facilitate the reunification of Cyprus by encouraging the economic development is difficult to achieve, given the operating context in the northern part of the island. The report recalls in this regard that Commission operates in a unique political, legal and diplomatic context. In EU-funded aid programmes, in normal circumstances, agreements with a beneficiary government would establish the legal framework for development assistance. No such agreements can be made for the assistance to the TCc and the Commission has to rely on what it understands to be the rules and conditions applicable locally. This introduces a **certain level of risk**.

Therefore, in order to protect the EU's financial interests, the Commission will not sign contracts requiring bank guarantees until legal certainty is ensured.

**Adoption of the *acquis*:** preparation for the future adoption and implementation of the *acquis* slowed down in 2012. The TCc needs considerable support in order to meet *acquis* requirements in many areas following a settlement and reunification. Lack of resources, inefficient structures and unclear responsibilities remain serious issues to be urgently addressed in order to ensure the sustainability of EU-funded projects. **The TCc has reassured the Commission that EU-funded assets shall not be subject to privatisation.** Some parts of the programme have become established as core components with particular value in confidence building or in bringing the TCc closer to the EU. These include the support to the Committee on Missing Persons (CMP) and to the Committee on Cultural Heritage and the scholarship programme. The completion of many of the projects from the 2006 programme brings a natural milestone and a considerable evaluation effort has been made in 2012.

Medium and long-term planning is challenging in the **absence of predictability of annual allocations**. Sectors important for future *acquis* compliance require multiannual support for intervention to succeed fully. In its 2012 report, the European Court of Auditors linked the lack of multi-annual programming to problems of programme sustainability.