

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

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The Commission presented its eleventh annual report (2016) 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).

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, on improving contacts between the two communities and with the EU, and on preparation for the *acquis*.

**Financial programming:** between 2006 and the end of 2016, **EUR 450.2 million** was programmed for operations under the Aid Regulation. The amount committed in December 2016 for the 2016 annual programme was EUR 33 408 392. Assistance is implemented primarily through **direct management** by the European Commission, but some projects are indirectly managed by the United Nations Development Programme (UNDP), the European Bank for Reconstruction and Development (EBRD) or the British Council.

**General overview of the implementation in 2016:** the Commission continues to implement the Aid Regulation with the overall aim of supporting reunification. It stands ready to adapt the programme as a result of any agreements reached in the settlement talks, and action was taken to finance the opening of two new crossing points as a confidence building measure.

Operations in 2016 included the continuation of a **number of established and successful projects**, such as EU scholarships.

Assistance provided to **key economic sectors** preparing for a settlement was reinforced through projects for the development of the private sector, and rural and human resources.

Grant support remains an essential element of the programme. At the end of the year, 252 contracts were overall running under the Programme.

However, the report noted that **considerable gaps in the capacity of the beneficiaries** to effectively implement the *acquis* still exist. Adaptations will be needed before the EU *acquis* can be implemented, but the Turkish Cypriot community now has a firmer understanding of the challenges ahead.

**Progress by objectives:** the report noted the positive effects of the assistance provided under the Commission's Technical Assistance and Information Exchange Instrument (**TAIEX**), used to implement Objectives 5 and 6 of the programme, to prepare the Turkish Cypriot community to introduce and implement the *acquis*.

Project support under Objectives 1 and 2 of the Aid Programme (infrastructure investments and supplies, technical assistance grants) had a positive impact on the work of the bi-communal ad-hoc committee on EU preparations, which operates under UN auspices.

The part of the Next Generation Network telecommunications equipment for delivering data (**internet**) services, already provisionally accepted was running without major incidents.

**The bi-communal Nicosia wastewater treatment plant** at Mia Milia/Haspolat has been producing clean effluent since 2012, but a number of related projects still have to be carried out. The design of the new trunk sewer serving the whole of Nicosia and connecting to the bi-communal water waste treatment plan made good progress.

The **protection of cultural heritage** through the bi-communal technical committee on cultural heritage continued to play an essential role in the efforts to promote reconciliation and confidence-building.

**Main conclusions:** the Commission remains committed to **supporting the settlement process** under the UN auspices and continues to deliver assistance under the Aid Regulation to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community, through work under its six objectives.

Major infrastructure projects are, however, now operating and maintained successfully by the beneficiaries. In view of the capacity constraints, limited human and financial resources and gaps in readiness for the future acquis roll-out, the **sustainability of projects** must be carefully considered.