

ANNEX

2013 AID PROGRAMME FOR THE TURKISH CYPRIOT COMMUNITY

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>Delegation Agreements</u> under centralised indirect management	31 December 2014
Final date for concluding <u>Contribution Agreements</u> under joint management	31 December 2014
Final date for concluding <u>Procurement and grant contracts</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	DG ELARG Unit DGA O2
Implementation Unit	DG ELARG Unit DGA O2

2. THE PROGRAMME

2.1. PRIORITIES SELECTED UNDER THIS PROGRAMME

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. The programme commenced in 2006 with a financing allocation of EUR 259 million and additional funding of EUR 61.5 million up to and including 2012.

The measures financed under the Aid Regulation focus 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 2013 programme will address each of the six objectives of the Aid Regulation as laid down in Article 2:

- 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 objectives of the Aid Regulation are wide, but yearly financial allocations after 2006 have been much smaller than that of the EUR 259 million start-up programme in 2006. There is, therefore, a concentration on critical areas: those that are particularly important for future *acquis* compliance or where continuity is required for obtaining longer-term objectives and sustainability of previous interventions.

One of the features of the assistance programme to the Turkish Cypriot community is that there are no Financing Agreements. The programme demands an outreach to a variety of Turkish Cypriot stakeholders in the community and in particular many non-public actors. Past programmes therefore included a substantial number of grant contracts following calls for proposals. This need remains, but has to be balanced against the staff-intensive nature of grant administration. It has therefore been proposed to implement some grant schemes under indirect management for the first time. The successful collaboration through joint management with UNDP will continue, given the strong UNDP track record in managing bi-communal activities and good technical experience in a number of areas.

2.2. SECTORS SELECTED UNDER THIS PROGRAMME AND DONOR COORDINATION

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: water supply and wastewater collection, strengthening of farm extension services, disposal of animal by-products, 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*.

Apart from the EU assistance programme, there is little donor intervention in the northern part of Cyprus.

There are a number of areas, which were previously supported, but are not a focus of the 2013 programme. This is partly due to budget restrictions, but also because projects in these areas are ongoing or have been completed without clear follow-up opportunities. In some cases, the necessary regulatory framework must be advanced by the Turkish Cypriot community before further, substantial EU-funded interventions can be conceived. It should also be noted that a considerable number of grant contracts arising from earlier (pre-2013) programmes will only enter the implementation phase in 2013-14 (farmers, SMEs, NGOs, communities) and grant support in the 2013 programme is, therefore, limited.

Under the Aid Regulation, EUR 311 million has been allocated for operations since 2006 (excluding the 2013 programme). Many projects have come to fruition and benefits are now being enjoyed by the Turkish Cypriots. Some of the programme highlights are described below.

The main infrastructure improvements handed over or nearing completion so far include wastewater treatment plants in the Morphou/Güzelyurt area, serving 10,700 "Person Equivalents" (PE), in Famagusta, for about 30,000 PE and the large Nicosia bi-communal wastewater treatment plant (270,000 PE). The latter is 30% funded by the EU. New sewerage networks were built in Morphou/Güzelyurt and Famagusta and drinking water networks were partly renewed in Morphou/Güzelyurt, Famagusta, Kyrenia, Kioneli/Gönyeli, Lefka/Lefke and Nicosia. A new, solid waste landfill at Koutsoventis/Güngör was handed over in 2012, as was the Kato Dhikomo/Aşağı Dikmen dump site after rehabilitation and the waste transfer station in Famagusta. A medical waste facility for the main hospital in the northern part of Nicosia was handed over at the end of 2011.

In support of nature protection, draft management plans were prepared for Special Environmental Protection Areas (SEPAs) and a walking trail network of over 600 km was completed. Information and management centres located in four SEPAs are partially completed. Under joint management with UNDP, rehabilitation works in several villages in the northern part of Cyprus were done and renovation of the market in the northern part of the walled city of Nicosia was completed.

A 1.27 MW Solar Power Plant was finished and has been running at full power since 2011. A significant investment has also been made in equipment for the

telecommunications sector. Work on traffic safety, including education, accident data collection and light vehicle inspection has been carried out.

Grant schemes have covered agricultural production, supporting rural enterprises and farms, community development through village initiatives, SME competitiveness, business support organisations, school projects, training projects, civil society and scholarships for students and teachers.

Considerable technical assistance, study visits, seminars and supplies have been given in education, vocational training, life-long learning and labour market reforms (including the opening of a job centre in Nicosia), animal and crop husbandry, water and environment sectors and for SMEs, Chambers of Commerce, energy, telecoms and road transport and road safety among other topics.

The EU is the main contributor to the work of the Committee on Missing Persons (CMP). Up to December 2012, 663 sites have been visited and opened and the remains of 903 individuals had been exhumed from across the island and transferred to the CMP anthropological laboratory, which has analysed the remains of some 596 individuals. DNA analysis has been performed on 1,765 samples and the remains of 337 individuals have been identified. The CMP plays a strong reconciliation role, involving the families of the missing and providing information to all.

The bi-communal Technical Committee on Cultural heritage is also supported by the EU. Stabilisation work and restoration work is carried out on historic sites across the island following a priority list agreed by both communities.

Six Contribution Agreements had been signed up to June 2013 under the Aid Regulation with UNDP for Cultural heritage and CMP implementation under joint management.

The scholarship programme for students and teachers, which started in 2007, has proved particularly successful and is possibly the best known of the EU-funded projects in the Turkish Cypriot community. Over 500 grants have been given for periods of study away from home up to one year in EU Member States. Beneficiaries are very appreciative of the opportunity both to gain an academic qualification and to experience life in the EU outside the northern part of Cyprus, since Turkish Cypriot community students do not have easy access to the schemes such as Erasmus offered to EU citizens.

The TAIEX instrument prepares the Turkish Cypriot community for implementation of the EU *acquis*. During 2012, for example, EU experts carried out 415 activities, including training courses, awareness-raising, and study visits. Preliminary work was also done on Free Movement of Goods, Intellectual Property Rights and Mutual Recognition of Professional Qualifications.

Support to trade across the Green Line (Regulation 866/2004) continues. EU Member State experts carry out phytosanitary inspections of potatoes and citrus products. Analyses of local honey show that the conditions of Commission Decision 2007/330 (movement of animal products) have been met, opening the possibility of trade in honey under the Green Line Regulation.

The Aid Programme is described in a 2012 brochure¹.

Lessons learned from operational experience, from the 2009 programme evaluation and from various sectoral assessments, the ECA performance audit² and from contract audits are that:

- The Aid Programme can only contribute to the overarching goal of reunification. The settlement talks under the UN auspices aim to achieve political agreement.
- Achieving significant economic development is difficult under the current programme, 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.
- Conventional sector development programmes cannot easily be conceived and expose the Commission to a certain level of risk.
- The necessary centralised management mode, particularly with the demands of a large number of individual grant contracts and the issues related to the specific Cyprus problem e.g. respect of property rights, is very staff-intensive and requires a high degree of hands-on monitoring.
- The current assistance programme effectively commenced on the ground in 2009 and the Turkish Cypriot community is still in a learning phase. There are weaknesses in capacity and unclear responsibilities on the side of the Turkish Cypriot community. Follow up is required to ensure sustainability of some of the larger EU-funded investments, since the Turkish Cypriot community struggles to put in place resources and structures for take-over and management of the investments made. This has been aggravated by slow passage of new and EU-compliant rules.
- Due to lack of experience of the beneficiaries, some grant schemes have been difficult to implement, particularly those with an infrastructure component and those where no dedicated Programme Management Unit has been set up to assist grant beneficiaries.
- The aim is for full *acquis* roll-out following a solution to the Cyprus problem, but a gap between the requirements of the *acquis*-compliant rules and the real implementation capacity remains.
- The water sector remains a critical one due to the heavy investments required for EU compliance and water scarcity in Cyprus.
- On the administrative side, the unique set up of the EU Programme Support Office (EUPSO) in Nicosia with the operations and finance management in Brussels, short-term contracts for most staff and unpredictable annual financing of the programme

¹ http://ec.europa.eu/cyprus/documents/2012/eu_assistance_to_tcc_brochure.pdf

² European Court of Auditors Special Report No. 6, 2012: European Assistance to the Turkish Cypriot Community

from the margins of the EU Budget constrain the efficiency of the operation. The proposed revision to the Staff Regulation with the option of longer contracts, along with the more stable financing mechanism for the aid to the Turkish Cypriot community under the multiannual financial framework from 2014, should help to mitigate these problems.

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 decreasing its assistance to the northern part of Cyprus. 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.

2.3. DESCRIPTION

PROJECT 1 (EUR 5.4 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. 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, for which a preliminary design report is available, was identified in the Nicosia Master Plan and is included in the 2013 programme.

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 5.4 million

It is expected that 4 service and 2 works contracts will be awarded.

The indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Services: 4Q13, 4Q13, 1Q15, 1Q15

Works: 1Q15, 1Q15

PROJECT 2 (EUR 8.7 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:

Disposal of animal by-products

In 2012, the Turkish Cypriot community requested high priority attention to eradication of animal diseases. Apart from severe 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 disposal of animal carcasses and animal by-products must be installed since disposal of animal by-products in the new, EU-financed landfill at Koutsoventis/Güngör is not permitted. An allocation for animal by-product disposal was made in 2012, but additional resources are needed in 2013 to ensure a complete system from collection to disposal.

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.

Phytosanitary laboratory and improved metrology

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 5.7 million

It is expected that 1 supply and 3 service contracts will be awarded.

The indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Animal by-products: 3Q14

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 5.4 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.

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 5.7 million

It is expected that 2 Contribution 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, Cultural Heritage Contribution Agreement signature 3Q14

PROJECT 4 (EUR 4 million): Bringing the Turkish Cypriot community closer to the Union

Project objective: Aid Regulation objective 4 (see 2.1)

Main results and expected main activities:

Two programmes that have proved effective and where continuing support is necessary are the scholarship programme, now established as a flagship scheme with a strong European flavour and the *Infopoint* project, which runs an information centre in the northern part of Nicosia. The *Infopoint* is a valuable channel for information exchange and feedback. This project is already financed to continue until at least 2015 and needs no additional support in the 2013 programme.

Scholarships

Turkish Cypriot students and teachers have no or only limited access to EU programmes. A grant scheme to allow young people and professionals to experience life abroad, to gain knowledge of other EU countries and to alleviate their sense of isolation was started in 2007. Since then, six annual grant schemes have given over 500 grants for study in EU places of learning, have earned a high level of appreciation among beneficiaries and have contributed to bringing the EU closer to young Turkish Cypriot students and to teachers. Previous financing (2012 budget) covers the academic year 2013-14 and resources will be needed in the 2013 budget to continue the scholarship scheme from 2014 onwards. Following requests from the Turkish Cypriot community and taking into account a 2012 evaluation of the programme, the scheme is being widened to include professionals other than teachers and, depending on a pilot to be carried out in 2013, may allow vocational training or internships.

The new scheme as from 2014/15 will be implemented through a Delegation Agreement (indirect management) with the British Council, which is uniquely placed, already established in the northern part of Nicosia, with a good track record in the education field and in scholarship schemes, including over 300 scholarships for Turkish Cypriot and Greek Cypriot students. The British Council has managed, among others, Chevening and Commonwealth scholarships and fellowships, Leonardo DaVinci, Erasmus, Youth in Action and Jean Monet schemes. In particular, a good knowledge of educational possibilities throughout the EU, with networks extending throughout Member States provides potential for applicants to seek host institutions Europe-wide. Assistance and encouragement will be delivered to increase the spread of host organisations throughout the EU. The Delegation Agreement will cover two academic years. The "indirect centralised" procedure follows articles 53 and 54 of the relevant Financial Regulation.

The tasks specifically delegated to the British Council will be all implementation activities: preparation of the grant call documents, launch, interviews, selection of candidates, contracting, payments, monitoring of candidates' progress and contacts with host bodies.

Implementation modalities: The project will be implemented by centralised indirect management

Procurement: Global amount EUR 4 million

It is expected that 1 Delegation Agreement will be awarded.

The indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Delegation Agreement: signed 4Q13

PROJECT 5 (EUR 2.5 million): Technical assistance to prepare for the future implementation of the *acquis* through the TAIEX instrument (objectives 5 and 6).

Project objective: Aid Regulation objectives 5 and 6 (see 2.1)

Main results and expected main activities:

- (1) Provide assistance in the preparation of legal texts aligned with the EU *acquis* to be immediately applicable upon the entry into force of a comprehensive settlement of the Cyprus problem;
- (2) Prepare for the implementation of the EU *acquis* in view of the withdrawal of its suspension in accordance with Article 1 of Protocol No 10 to the Act of Accession;
- (3) Provide continued support for the implementation of Council Regulation 866/2004³ (the Green Line Regulation) and Commission Regulation 1480/2004⁴, thereby supporting the economic integration of the island.

³ Council Regulation (EC) N°886/2004 of 29 April 2004 on a regime under Article 2 of Protocol 10 to the Act of Accession

⁴ 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

TAIEX activities include: seminars and conferences; workshops; expert missions; study visits to EU Member States; mobilisation of longer-term experts; provision of tools and information products for, among others, translation and interpretation activities; and co-ordination and monitoring, in close co-operation with Member States and Commission services. By increasing Turkish Cypriot awareness and understanding of EU law, technical assistance delivered through the TAIEX instrument will help lay the foundations for future cooperation between both communities on the island.

Implementation modalities: The project will be implemented by centralised management

Procurement: Global amount EUR 2.5 million

It is expected that 1 service contract will be awarded.

The indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Service contract: 3Q14

PROGRAMME SUPPORT FACILITY AND RESERVE (EUR 5 million)

Main results and expected main activities:

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

A budget is therefore allocated for certain supporting and logistic activities, including a new service contract to provide the Commission with the EUPSO premises and support staff. EUPSO was set up in 2006 to facilitate contacts with the beneficiary community, for coordination, preparation and implementation of the assistance and for provision of a venue for meetings and seminars.

The Support Facility will also provide, as a horizontal action underpinning several projects, a PMU through a service contract to allow monitoring, training and support activities for grant schemes covering those from the programmes of 2011 and later, since experience has shown that grant beneficiaries frequently run into difficulties due to poor understanding of EU procedures. The PMU already set up to support rural development grant schemes and extended in 2012 to cover SMEs will finish in October 2014.

The Support Facility will provide resources for evaluations and monitoring, including for actions under joint or centralised indirect management.

Implementation modalities: The project will be implemented by centralised management.

Procurement: Global amount EUR 5 million

It is expected that at least 3 service contracts will be awarded.

The indicative timetable (Q=quarter), with indicative amounts, for launching award procedures is:

Office support: 3Q14

PMU support: 2Q14

Monitoring for indirect centralised management: 4Q13

There is an unallocated programme reserve, which will be mobilised as necessary in support of other programme elements or studies and provide resources for audit and evaluation.

2.4 HORIZONTAL ISSUES

A view must be kept of the primary aim of reunification of the island and any breakthrough in the political process may entail a revision of the assistance being delivered. The Commission's proposal for a Council Regulation laying down the multiannual financial framework for the years 2014-2020 foresees a specific review clause for this. In the meantime, high priority must be given to bi-communal and reconciliation aspects. Visibility and communication efforts must be maintained across the whole programme, which represents the main link between the Turkish Cypriot community and the EU. There are many visibility-related components in the ongoing programme, including grant and project events and launches and information sessions.

According to Article 7 of the Aid Regulation, the Commission shall ensure that property rights are respected and the Commission continues to rely on the cooperation of the Government of the Republic of Cyprus for verification of property ownership for this.

All investments shall be carried out in compliance with the relevant Community environmental legislation as far as this is possible in the northern part of Cyprus, where the *acquis* is suspended. Potential *Natura 2000* sites have been identified and the Commission has been working with the local beneficiaries towards protection of these areas.

The International Federation of Consulting Engineers (FIDIC) conditions of contract shall be used for works' contracts.

2.5 ASSUMPTIONS AND ACCOMPANYING MEASURES

There are certain risks arising from the operational context. It is assumed that: local rules and procedures will not render EU contracts and supporting bank guarantees ineffective or unenforceable; the political climate will be conducive to implementation e.g. both communities will continue to support the relevant bi-communal Technical Committees and that the Republic of Cyprus will continue to provide verification of property ownership.

There are no Financing Agreements between the Commission and the Turkish Cypriots. There are, nevertheless, several specific issues that must be resolved and agreed by relevant Turkish Cypriot community stakeholders before the 2013 programme can be fully implemented. These are described in the project fiches accompanying the 2103 Commission Decision and include issues related to property, movement of services in anticipation of works and sustainability commitments.

3. BUDGET

3.1. INDICATIVE BUDGET TABLE

	EU contribution		Local contribution		Totals	
	MEUR (a)	% ⁽¹⁾	MEUR (b)	% ⁽¹⁾	MEUR (c)=(a)+(b)	% ⁽¹⁾
Project 1	5.4	17.5			5.4	17.5
Project 2	8.7	28			8.7	28
Project 3	5.4	17.5			5.4	17.5
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.

4. MONITORING AND EVALUATION

4.1 MONITORING

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

In the case of joint or centralised indirect management, the Commission may undertake any actions it deems necessary to monitor the programmes concerned. Monitoring actions may be carried out jointly with the organisation to which the Commission delegated budget implementation tasks under indirect centralised management.

4.2 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. Costs of audits/evaluations may be met either from the programme reserve or from the project allocations.

5. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors.

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-

spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96⁵.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received EU funds.

6. SPECIAL CONDITIONS

In the implementation of actions financed under this Financing Proposal, 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 proposal 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.

⁵ OJ L 292; 15.11.1996; p. 2