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ANNEX I

The annex to Commission Implementing Decision C(2014) 9366 of 12 December 2014 adopting an Action Programme for the Turkish Cypriot community for the year 2014, as amended by Commission Implementing Decision C(2015) 9718 of 7 January 2016 and by Commission Implementing Decision C(2016) 6688 of 21 October 2016, is replaced in its entirety as follows:

Legal basis:

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 and amending Council Regulation (EC) No 2667/2000 on the European Agency for Reconstruction.

Work Programme for 2014:

Beneficiary	Turkish Cypriot community
CRIS/ABAC Commitment references	PHARE/2014/031-615 / SCR.DEC.031615.01 PHARE/2014/037-817 / SCR.DEC.037817.01
Total cost	
EU Contribution	EUR 32,960,000
Budget line	EUR 32,960,000 22.03.01.00 C1 EUR 31,482,280.00 22.03.01.00 C4 EUR 1,446,907.21 22.03.01.00 C5 EUR 30,812.79
Management Mode/ Entrusted Entity	Direct management by the European Commission Indirect management by entrusted entity: UNDP – part of Action 2
Final date for concluding delegation agreements under indirect management	31 December 2015
Final date for concluding procurement contracts, grant contracts and delegation agreements	3 years following the date of validation of the budgetary commitment
Final date for contract implementation	6 years following the date of validation of the budgetary commitment, with the following exception: 7 years following the date of validation of the budgetary commitment for contracts for Koutsoventis/Güngör landfill works and supervision , where the works concerning infrastructures justify a longer implementation period.

Final date for programme implementation (date by which this programme should be de-committed and closed)	10 years following the date of validation of the budgetary commitment.
Programming Unit	SRSS.05 Cyprus Settlement Support
Implementing Unit	SRSS.05 Cyprus Settlement Support

1 THE PROGRAMME

1.1 PRIORITIES SELECTED UNDER THIS PROGRAMME AND DONOR COORDINATION

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. Between 2006 and the end of 2013, EUR 337 million was programmed for operations under this Regulation.

The Aid Regulation focuses 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 objectives, as laid down in Article 2, are:

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 2014 programme takes into account the resumption of settlement talks between the two communities after the Joint Statement of the two leaders of 11 February 2014. This was followed by high level contacts with the Commission and with the United Nations and completion, in April, of the review phase of the process, looking at previous negotiating positions. The Commission underlined that it is keen to play its part in supporting the negotiations and to offer all the support the parties and the UN find most useful. Under the assistance programme this includes anticipation of the need for implementation of the *acquis* following settlement and for confidence building.

Support to the Technical Committee on Cultural Heritage and to the Committee on Missing Persons will continue, noting the good performance and significant delivery under both these programmes in 2013.

The choice of actions within the wide objectives of the Aid Regulation are made to maintain continuity with previous interventions, ensure sustainability and tackle weaknesses in the preparation for *acquis* implementation while respecting absorption limitations on the side of the beneficiaries. Reconciliation and confidence building measures remain high priority along with readiness to support advances in the political process, including revision of the programme if the evolving political scene requires it.

The programme choices for 2014 take stock of input received from Turkish Cypriot stakeholders and from relevant evaluations and needs assessments conducted in 2012-13. The views of the authorities of the Republic of Cyprus were also taken into consideration.

There is urgent need to repair the Famagusta sewerage network system, following the December 2013 termination of the construction contract. It is essential that protective measures are taken and major defects corrected while dispute arbitration of the cancelled contract is running. Defects in the partially implemented works are both inconveniencing the local community and damaging the treatment plant. Another significant component of the 2014 programme is the second phase of the Koutsoventis/Güngör landfill, since the first "cell", completed earlier, has almost been filled.

The multiannual perspective offered by the MFF 2014-20 offers the opportunity for more strategic planning. In parallel, more systematic monitoring and performance evaluation is required and a new indicator set will be developed during 2014 to support the multi-annual perspective.

The Aid Regulation mentions other possible areas of intervention that are not targeted in the 2014 programme, either because they are already addressed by previous programmes or do not immediately offer projects of sufficient maturity. There is no 2014 allocation for Aid Regulation *Objective 4: Bringing the Turkish Cypriot community closer to the Union*, since both the scholarship programme and the *Infopoint* information centre are already financed until 2016. The 2014 programme, therefore, represents a concentration of effort, which will allow a more streamlined programme and contribute towards increasing the overall implementation rate.

The 2014 programme takes into account lessons learned from operational experience, from the 2009 and 2013 programme evaluations and from various 2012-13 sector assessments, the ECA performance audit¹ and from contract audits:

Achieving significant economic development is difficult under the current circumstances, 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. Economic convergence of the two communities is hard to achieve without the breakthrough in inter-communal contact that the political settlement would bring.

¹ European Court of Auditors Special Report No. 6, 2012: European Assistance to the Turkish Cypriot Community

The Turkish Cypriot community struggles to put in place resources and structures for take-over and management of the investments made. This means that project follow-up, continued capacity building and, where appropriate, complementary investments are necessary to ensure sustainability.

Due to lack of experience of the beneficiaries, grant schemes have been difficult to implement, particularly those with an infrastructure component. A dedicated Project Management Unit (PMU) has been set up to assist grant beneficiaries. This PMU is based locally and makes frequent field trips to grant projects.

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, however, decreasing its assistance to the northern part of Cyprus and moving to a regional approach. 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. The EEA (Norway, Iceland, Liechtenstein) is supporting Cypriot civil society activities including inter-communal projects

1.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

Action 1	Social and economic development and infrastructure	EUR 17,220,000
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(1) Description of the Action, objectives and expected results

The EU investments in infrastructure and social and economic development have been the major component under the Aid Regulation since 2006 with combined allocations of around EUR 240 million (about 70% of the total), covering an extensive range of activities in many sectors. The 2014 programme is very selective and concentrates on topics that need ongoing support, mainly wastewater and solid waste treatment.

Wastewater treatment

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 and technical workshops prioritised potential investments. The EU has funded much work in this area, with sewerage network replacement in main centres and three new wastewater treatment plants (WWTP) serving around 300,000 "population equivalents" i.e. including commercial customers. The new, bi-communal Mia Milia/Haspolat outside Nicosia, handed over in 2013, was 70% funded by the Nicosia Sewerage Board and 30% funded under the Aid Regulation. The design phase for the return and re-use of treated water in the government-controlled areas was launched in 2014.

Work in Famagusta included both a new WWTP and a 47 km sewer network with seven pumping stations. The network has been laid, but serious defects, particularly at connection points have been found. Negotiation with the contractor to remedy this has not been successful and the contract was terminated by the Commission in December 2013. The dispute arbitration process continues in 2014.

The WWTP is accepting wastewater in the meantime, but is not yet handed over (mid-2014) and is suffering corrosion problems due to ingress of saline water into the network. The incomplete wastewater treatment in Famagusta is causing distress to the community. It is clear that the project must be completed and the WWTP brought to a status of efficient and sustainable operation. A further allocation is therefore required to cover immediate remedial works and supervision needs and also to provide resources to deal with the ongoing dispute settlement. A further phase will be necessary, before the system is complete, but additional financing will depend on the outcome of the continuing dispute settlement process. The 2014 resources include EUR 1 million from the cashed performance guarantees from the original works' contract.

The physical work to be undertaken includes design review, works and supervision. The activities will be re-excavation where CCTV or pressure tests indicate defects that cannot be repaired by lining the tubes, repair and connection as necessary of sewerage network. Attention will be given to correct completion of the house connections, where a large number of problems are already identified. After the repair, careful backfilling, compaction, closure and asphaltting will be carried out.

Solid waste treatment

The northern part of Cyprus has a history of uncontrolled dumping of waste, scavenging by humans and animals, waste dump fires and environmental damage. Under the Aid Regulation, legal texts aligned with the *acquis* under the Waste Framework Directive 2008/98/EC have been drawn up for the purposes of these being immediately applicable upon the entry into force of a comprehensive settlement. Investments in physical waste management have also been made. A major dumpsite at Kato Dhikomo/Aşağı Dikmen was closed, covered and rehabilitated and a new landfill was constructed at Koutsoventis/Güngör. This is intended for all the solid waste of the northern part of Cyprus and a transfer station and trucks have also been provided. The landfill project was conceived with four phases. Phase 1, the major earthworks and the first cell of 62,500 m² was already completed in 2011, but is likely to approach full capacity in 2015 and it is therefore necessary to implement Phase 2, which is the preparation and base sealing for a second cell of about 33,500m². The expected operations are:

Design, works/supply and supervision for: removal of the temporary dam between cells 1 and 2 of the Koutsoventis/Güngör landfill; removal of the rainwater collection pond, levelling and compaction of the landfill base; construction of the base sealing system with drainage layer and enlargement of the leachate drainage pipe; supply and installation of degassing plant with blower and high temperature flare.

Support to veterinary health and agricultural data

These fields have major implications for consumer protection, food safety and Green Line trade. There are significant risks for the post-settlement period unless the Turkish Cypriot community is urgently brought up to EU standard in these areas. Activities are already underway for protection of animal health, eradication of animal diseases and disposal of animal by-products and carcasses, but the extent of the task is considerable and the beneficiary has substantial needs. An allocation is necessary under the 2014 programme to cover equipment and software requirements, including improvements to an animal Identification and Registration system and to a farm registry system, recording and tagging equipment, laboratory equipment, tools, vehicles. The aim is to have fully functioning and sustainable systems for recording and updating of animal and farm information.

Support to local communities

Bodies at local level have a significant stake and responsibility in local affairs and quality of life of local communities. This is especially important in the rural areas, where basic services are often poorly managed or non-existent. There is a framework of duties that include: health and social welfare, urban development, economic development, welfare and security, education-culture and tourism, agriculture and transport. Most of the local bodies do not have the capacities and the means to fulfil these duties. The Commission has already invested in strategic planning for the rural areas through the Local Development Strategies, in which the local bodies play a substantial role. Local communities will also need to understand their obligations under the *acquis* and be able to meet them and also to adapt to European initiatives such as the LEADER approach. Lack of resources often means that there is a struggle to maintain services and that badly needed investments have to be deferred or cancelled. Administrative and technical capacity is variable and there is and little opportunity for training. A Call for Proposals will be designed specifically to provide opportunities for investment in basic infrastructures and services linked to capacity building. It is expected that at least five local communities (out of the total of 28) will benefit.

Economic monitoring and studies

In parallel to the political settlement process, economic analysis and advisory services are required. The World Bank will be engaged under a PA (pillar assessed) Grant to collate and analyse macroeconomic data and produce regular monitoring reports, deliver financial and fiscal analysis and carry out studies on topics relevant to competitiveness, economic development and Green Line trade. Deliverables will be annual macroeconomic monitoring notes and study reports (indicative number: 4).

In addition, the 2014 programme will continue to help enhance the capacity of the Turkish Cypriot community (TCc) to address challenges to economic development and implement the necessary reforms, and engage the expertise of the World Bank to build on the analytical and advisory work done so far and carry out the following additional tasks: (i) collect and analyse macroeconomic data and produce regular macroeconomic monitoring reports on aspects such as the economic cycle, the effects of currency appreciation or depreciation on domestic prices and the balance sheet, the trend in external imbalances, labour market trends, fiscal sustainability, and risks to the medium-term outlook; (ii) deliver financial and fiscal analyses looking into areas such as public investment management, macro-fiscal programming, and access to finance by households and enterprises; and (iii) carry out studies on topics relevant to competitiveness, economic development and Green Line trade, such as the business environment and the investment climate in the TCc, education (including vocational training), the labour market and the agriculture sector. Details of the assignment to be concluded under a separate PA (pillar assessed) Grant will be confirmed in consultation with all relevant stakeholders during the contract preparation stage. Under this grant, it is expected that the World Bank will produce annual macroeconomic notes (indicative number: 2) and actionable reports/policy notes on identified key sectors of growth in the TCc (indicative number: at least 4). These analyses will contribute to a better understanding of the constraints impeding economic development and will contain options for reforms. Furthermore, the World Bank will support the implementation of the reforms by organizing various workshops aimed at building the capacity of relevant stakeholders in the TCc.

(2) Assumptions and accompanying actions

There are several specific issues that must be resolved and agreed by relevant Turkish Cypriot community stakeholders before the 2014 programme can be fully implemented:

- All potential property-related issues must be identified, including site access issues, planning consents and methods of working;
- The relevant services must be engaged and committed to collaboration in relocation or rerouting of services, traffic by-passes etc.;
- Arrangements must be put in place for separation, processing and disposal of green and construction waste to avoid overburdening the landfill;
- An appropriate and continuous management contract for the Koutsoventis/Güngör landfill must be in place;
- House connections to the sewerage network must be carried out in Famagusta;
- Relevant macroeconomic and other data must be available to the World Bank for the implementation of its tasks.

(3) Essential elements of the action (for direct management)

Procurement:

- the global budgetary envelope reserved for procurement:
Global amount: EUR 5,820,000
- the indicative number and type of contracts:
2 works, 2 service and 1 supply contracts and 1 specific contract under global Framework contract
- indicative time frame for launching the procurement procedure:
Works: 1Q16, 2Q17;
Services: 1Q15, 1Q16;
Supply: 2Q17;
Specific framework contract: 1Q15.

Grant – Call for proposal:

- Objectives and foreseen results:
Local communities will be supported to make essential investments, provide improved services and develop capacity in areas including administration, financial and technical management.
- The essential eligibility criteria:
Applicants shall be established in the northern part of Cyprus.
Entities may be natural or legal persons.
- The essential selection criteria:
Financial and operational capacity of the applicant (sufficient capable staff).
- The essential award criteria:
Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.

- Maximum rate of EU co-financing:
The maximum possible rate of EU co-financing for grants under this call is 90 % of the eligible cost of the action.
- Indicative amount of the call: EUR 4,850,000
- Indicative date for launching the call: 2Q16

Grant - Direct grant awards:

- Objectives and foreseen results:
Action 1: Analysis of economic data. Outputs will be: annual macroeconomic monitoring notes and study reports (indicative number: 4).
Action 2: Economic monitoring/strategy. Objectives pursued: (i) enhance local understanding of constraints impeding economic development; (ii) identify options for necessary policy reforms; and (iii) provide support to build capacity for the implementation of these policy reforms. Expected results: (i) identification of the constraints faced by the TCc in improving policies in various sectors (including fiscal policy) as well as in improving overall policy coordination; (ii) suggestions for enhancing the capacity of the TCc to address these constraints and implement the necessary reforms; and (iii) capacity-building and concrete support for implementation. Outputs will be: annual macroeconomic notes (indicative number: 2) and actionable reports/policy notes on identified key sectors of growth in the TCc (indicative number: at least 4).
- Justification for the use of an exception to calls for proposals:
In line with the Rules of Application, Article 190(1)(f), two direct award grants are foreseen, because the work requires a sensitive interaction with the beneficiary and collection and analysis of data of a sensitive nature. It is likely that calls for proposals would result in grants award unacceptable to the project beneficiary. A body of respected international standing is therefore needed for the grant implementation. Besides this, the work is very technical in nature and reporting and analysis to World Bank standards is required for compatibility with past and ongoing work. In parallel, the World Bank is working on similar issues with the Republic of Cyprus and will also work on issues supporting the settlement.

The Financial Regulation foresees engagement of international organisations by direct management for tasks not involving budget implementation. The mechanism proposed for implementing this is the use of pillar assessed (PA) direct grants.

- The name of the beneficiary:
The World Bank Group
- The essential selection criteria are financial and operational capacity of the applicant.
- The award criteria:
Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- Indicative amount of the grants:
Action 1: EUR 1,750,000
Action 2: EUR 4,800,000
- Maximum rate of EU co-financing:

The maximum possible rate of EU financing will be 100% of the total cost of the action. Full financing of the actions is essential for the actions to be carried out and is justified in view of the engagement of the World Bank on a parallel, but complementary programme in support of the Cyprus settlement process and for sector studies for the Republic of Cyprus. This parallel programme is financed through World Bank and other donor resources.

- Indicative date for signing the grant agreements:

Action 1: 1 July 2015

Action 2: 1 September 2017

Action 2	Reconciliation, confidence building	EUR 5,400,000
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(1) Description of the Action, objectives, expected results

The reconciliation and confidence building actions is a centrepiece of the assistance given under the Aid Regulation and are highly visible and significant vehicles for intercommunal collaboration.

Reconciliation and confidence building measures

Central to the overall objective is the restoration of trust between the two communities and re-establishment of working relationships. In 2008, the leadership of the two communities in Cyprus agreed on the establishment of working groups and Technical Committees, which have been establishing a track record of cooperation. As hopes for a settlement of the Cyprus problem rise, stimulation of, and assistance to these Technical Committees and to other bi-communal and "whole island" actions can have a catalytic effect.

There are some areas of great sensitivity, in which scars remain, even after 40 years, most notably that of the "missing persons". This, together with support for cultural heritage protection, will form the elements of the confidence building activities in the 2014 programme.

The EU supports the Committee on Missing Persons (CMP) in establishing 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, some progress has been made in obtaining access to areas under Turkish military control. The year 2013 was the most successful so far with 140 individuals identified and returned to their families. Up to February 2014, the remains of 1040 individuals had been exhumed and 479 identified and returned to their families. The EU is the main, but not the only donor to the CMP. In its report on 8 October (SWD(2014)307), the Commission

noted that the process of granting the Committee full access to all relevant archives and military areas needs to be expedited.

Activities will be identification of new burial sites of the "missing", exhumation of remains, analysis at the anthropological laboratory, identification by DNA and return of remains to relatives. At the same time, CMP is used as a vehicle for developing bi-communal cooperation and its work should continue to be facilitated. Technical capacity will be developed through experience and contacts with international experts. The CMP strategy will be communicated and community support and partnerships developed.

The bi-communal Technical Committee for Cultural Heritage (TCCH) created 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, as the programme speed and achievements have increased, its value for reconciliation has become more apparent. Not only are historic sites salvaged and restored, but they have been brought back to life and the level of interest and bi-communal engagement has been high. The year 2013 was particularly successful with the completion of projects for Melandrina Church, Profitis Elias Church, Panagia Church and Denya Mosque. Various project events have been organized and increased the programme visibility.

The TCCH agreed a list of 23 priority monuments (churches, mosques and others) to be renovated. The assistance programme is working according to this list, but the choice of projects depends on the condition of the monument at the relevant time and the wishes of TCCH. The cultural heritage project also includes a public awareness component.

The Cultural Heritage and CMP projects will be implemented through indirect management by UNDP according to Article 58(1)(c) of the Financial Regulation.

Support to civil society

Direct connection to citizens through civil society organisations is important for the EU in its mission to spread European values of freedom, equality, respect for human rights etc., to develop pluralism and promote participatory democracy. Four grant schemes have been run under the Aid Programme so far. It is apparent from applications for the last scheme, launched in 2013 that there is good potential for a further campaign of grants, particularly for actions covering social dialogue and advocacy, awareness raising/social mobilisation and service provision. A new grant scheme will be run, with the aims of:

- establishment of platforms, networks, coalitions, formal civil society groups;
- establishment of capacity building mechanisms;
- promotion of links and partnerships with international Civil Society Organisations;
- enhancement of advocacy and involvement in policy design of citizens advocacy groups in thematic fields such as health, environment, gender, good governance, democratisation;
- development of awareness-raising campaigns to sensitise the population and induce social change;
- service provision in social sectors.

(2) Assumptions and accompanying actions

It is assumed that grant applications of sufficient quality will be generated. There are no accompanying actions specified, since activities are bi-communal (cultural heritage protection) or are aimed at civil society groups.

(3) Entity entrusted with budget implementation tasks

UNDP, as a UN agency, has a unique trusted, neutral role and facilitator of the settlement process. The Technical Committees, through which the Confidence Building projects are steered, were set up under the auspices of the UN. The projects (Committee of Missing Persons and Cultural Heritage Protection) involve dealing with delicate sensitivities of both communities.

The UNDP has considerable and current expertise of both the CMP and the cultural heritage protection role in Cyprus. Up to and including 2013, allocations were made for 7 Contribution Agreements (CAs) with UNDP for the CMP and 3 CAs with UNDP for the support to the preservation of cultural heritage. UNDP has a good track record in the implementation of these CAs and has built up a high level of efficiency, considering the particular circumstances of the implementation. The year 2013 produced strong results in both projects.

The UNDP is a very financially secure international organisation.

(4) Short description of the budget implementation tasks entrusted to the entity

Two Delegation Agreements are planned to be signed. One for the Committee of Missing Persons (indicative amount EUR 2,600,000 4Q14) and another for the Cultural Heritage Protection (indicative amount EUR 1,800,000 2Q15). The tasks entrusted will be project management, procurement, monitoring, payments, audit and evaluation.

(5) Essential elements of the action (for direct management)

Grant – Call for proposals:

- Objectives and foreseen results:
Civil society organisations will be supported to spread European values of freedom, equality, respect for human rights etc., to develop pluralism and promote participatory democracy.
- The essential eligibility criteria:
Applicants shall be established in the northern part of Cyprus.
Entities may be natural or legal persons.
- The essential selection criteria:
Financial and operational capacity of the applicant (sufficient capable staff).
- The essential award criteria:
Relevance, effectiveness and feasibility, sustainability and cost-effectiveness of the action.
- Maximum rate of co-financing:

The maximum possible rate of EU co-financing:
95 % of the eligible cost of the action.
- Indicative amount of the call: EUR 1,000,000
- Indicative date for launching of the call for proposals: 1Q15

Action 3	Preparation for the implementation of the <i>acquis</i>	EUR 6,300,000
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(1) Description of the Action, objectives, expected results

The Aid Regulation specifically foresees assistance to prepare for the implementation of the EU *acquis* and for 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. The pace and developments in the settlement process will determine the need and shape the priorities in this respect.

In addition, the Commission is required to provide continued support for the implementation of Council Regulation 866/2004² (the Green Line Regulation) and Commission Regulation 1480/2004³, thereby supporting the economic integration of the island.

The TAIEX instrument is used for these activities and delivers: 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.

The TAIEX operations also support attainment of the remaining objectives of the Aid Regulation, with activities in many fields including environment, phytosanitary and veterinary health. TAIEX transfers technical know-how and underpins and complements the other actions in the programme. Furthermore, by increasing Turkish Cypriot awareness and understanding of EU law, TAIEX helps to lay the foundations for future cooperation between the communities on the island and also to build confidence that procedures and rules in many areas of competition, quality, consumer protection and environment will be fair and equivalent across the island.

Following the re-launch of Cyprus talks in February 2014, the Commission sees continuing TAIEX assistance in this area as particularly vital. As the new phase of settlement talks advances, *acquis* preparation and the economic integration of the two communities will become more pressing and it will be necessary to address a wide range of *acquis* areas. Sufficient provision must therefore be made to ensure that the assistance programme facilitates the settlement in this respect and that solutions in the technical topics related to *acquis* preparation are found. This requires flexibility to adjust the extent, quantity; format and content of EU funded assistance for *acquis* preparation.

TAIEX is contracted as a single contract for activities in IPA and ENP regions as well as for the Turkish Cypriot community.

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

³ 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

(2) Assumptions and accompanying actions

There are specific issues that must be resolved and agreed by relevant Turkish Cypriot community stakeholders before the 2014 programme can be fully implemented:

- Implementation and enhancement of absorption capacity in line with the (PFAA) priority set by the beneficiary.
- Efficiently functioning working groups programming TAIEX assistance.

(3) Essential elements of the action (for direct management)

Procurement:

- the global budgetary envelope reserved for procurement:
Global amount: EUR 6,300,000
- the indicative number and type of contracts:
2 service contracts
- indicative time frame for launching the procurement procedure:
- 4Q14, 3Q16.

Action 4	Support facility	EUR 4,040,000
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(1) Description of the Action, objectives, expected results

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.*

The Support Facility will provide resources for visibility actions, evaluations, audits and monitoring and supporting studies and technical input. An important component of this will be performance monitoring of the programme and projects against indicators and consolidated annual reporting on all indicators.

The Support Facility may also provide resources for particular or horizontal activities to facilitate the settlement process, which the EU undertakes to support. This may take the form of, for example, symposia, community information or technical input.

(2) Assumptions and accompanying actions

It is assumed that the settlement progress will develop and that data necessary for monitoring purposes will be made available by the Turkish Cypriot community.

(3) Essential elements of the action (for direct management)

Procurement:

- the global budgetary envelope reserved for procurement:
Global amount: EUR 4,040,000
- the indicative number and type of contracts:
1 service contract and 3 specific framework contracts under global framework contract for services
- indicative time frame for launching the procurement procedure:
Service: 1Q16;
Specific framework contracts: 2Q15, 4Q15, 2Q16.

2 INDICATIVE BUDGET TABLE

Action	Procurement	Call for Proposals / Direct Grant Award	Indirect Management with IOs/MS Body	Totals	
	EUR	EUR	EUR	EUR	%
Action 1 Social and economic development and infrastructure	5,820,000	11,400,000	0	17,220,000	52,2
Action 2 Reconciliation and confidence building	0	1,000,000	4,400,000	5,400,000	16,4
Action 3 <i>Acquis</i> preparation	6,300,000	0	0	6,300,000	19,1
Action 4 Support facility	4,040,000	0	0	4,040,000	12,3
TOTAL	16,160,000	12,400,000	4,400,000	32,960,000	100

3 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

DIRECT MANAGEMENT:

Part of this programme shall be implemented by direct management by the Commission / by the Union Delegations in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application.

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part One Title VI and Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part One Title VI and Part Two Title II Chapter 4 of its Rules of Application.

The International Federation of Consulting Engineers (FIDIC) conditions of contract shall be used for works contracts implemented through direct management.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

INDIRECT MANAGEMENT:

Part of this programme shall be implemented by indirect management with entrusted entities other than the beneficiary in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

The change of management mode from indirect management to direct management, whether partially or entirely is not considered a substantial change provided that all essential elements of the actions have been specified in the initial text of the financing decision.

MONITORING

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

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.

4 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.