

ANNEX

FINANCING PROPOSAL ESTABLISHING A 2009 ASSISTANCE PROGRAMME FOR TURKISH CYPRIOT COMMUNITY

1. IDENTIFICATION

BENEFICIARY:	<i>Turkish Cypriot community</i>
LEGAL BASIS:	Instrument of financial support for encouraging the economic development of the Turkish Cypriot community (Council Regulation (EC) N° 389/2006 of 27.02.06)
PROGRAMME:	2009 Assistance programme to encourage the economic development of the Turkish Cypriot community
CRIS NUMBER	<i>(to be inserted after global commitment has been given)</i>
YEAR:	2009
COST:	€ 2 500 000
IMPLEMENTATION:	By the European Commission on a centralised basis under Article 53a of the Financial Regulation
DAC CODES:	Project 1.1:43081 Scholarships for Turkish Cypriot community Project 1.2 : 11430 Grants for schools Project 1.3: 91010 Technical Assistance
CONTRACTING END DATE¹:	31 August 2011.
EXECUTION OF CONTRACTS END DATE²:	31 December 2012
PROGRAMMING MANAGER	Katarzyna Hebda, DG Enlargement (Unit A3)
IMPLEMENTATION MANAGER	Alessandra Viezzer, DG Enlargement (Unit A3)
BUDGET LINE	22.02 07 03

2. SUMMARY OF THE PROGRAMME

Following the outcome of the simultaneous referenda in Cyprus, the Council stated on 26 April 2004:

¹ In no case can the contracting period for projects implemented under this programme exceed three years after the date of the global commitment (Art. 166 (2) FR).

² Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted (Art. 77 (3) FR)

“The Turkish Cypriot community has expressed their clear desire for a future within the European Union. The Council is determined to put an end to the isolation of the Turkish Cypriot community and to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community. The Council invited the Commission to bring forward comprehensive proposal to this end, with particular emphasis on the economic integration of the island and on improving contact between the two communities and with the EU. The Council recommended that the 259 million euro already earmarked for the northern part of Cyprus in the event of a settlement now be used for this purpose”.

Following a proposal by the Commission on 7 July 2004, Council Regulation 389/2006 establishing an instrument of financial support for encouraging the economic development of ³the Turkish Cypriot community has been adopted on 27/02/2006. The Commission is directly responsible for administering the assistance and shall be assisted by the PHARE management committee. In addition, the Commission expressed in a declaration its readiness to consult with the government of the Republic of Cyprus on the major aspects of implementation of assistance. The Commission also declared its readiness to consult the Government of the Republic of Cyprus if feasibility studies leave doubt as to whether actions to be financed under this Regulation might affect property rights.

The regulation outlines that measures to be financed under it are of an exceptional and transitional nature and are intended, *inter alia*, to prepare and facilitate, as appropriate, the full application of the *acquis communautaire* in the areas following a solution to the Cyprus problem.

Assistance shall be used to support *inter alia*:

- the promotion of social and economic development including restructuring, in particular concerning rural development, human resources development and regional development;
- the development and restructuring of infrastructure, in particular in the areas of energy and transport, the environment, telecommunications and water supply;
- reconciliation, confidence building measures, and support to civil society;
- bringing the Turkish Cypriot community closer to the Union, through *inter alia* information on the European Union’s political and legal order, promotion of people to people contacts and Community scholarships;
- 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;
- preparation for implementation of the *acquis communautaire* in view of the withdrawal of its suspension in accordance with Article 1 of Protocol No 10 to the Act of Accession.

This Programme aims to lift isolation of the Turkish Cypriot community by facilitating contacts with the European Union. It will fund a community scholarship schemes for students and teachers. It will also fund grants to schools to support human resources development.

According to Article 4(3) of Regulation 389/2006, assistance may be used to cover in particular the costs for supporting activities such as preliminary and comparative studies, activities linked to preparing, appraising, managing, implementing, monitoring, controlling and evaluation of assistance, activities linked to information and visibility purposes.

³ COM (2004) 465 final of 07.07.2004

3. PAST EC ASSISTANCE AND LESSONS LEARNT

Past EC Assistance:

In the 2000-2003 period, a third of pre-accession assistance provided to Cyprus under Council Regulation n°555/2000 has been earmarked for bi-communal projects for a total of around € 14 million. The aim was for both communities to benefit from these bi-communal projects fostering reconciliation.

Following the recommendation of the Copenhagen Council in December 2003, a Special Aid Package of € 12 million for the northern part of Cyprus was approved. The Turkish Cypriot community was the sole beneficiary of this assistance. The bulk of the assistance delivered to the Turkish Cypriot community via these programmes has been implemented through the United Nations Development Office (UNDP).

On the basis of Council Regulation 389/2006 a package of € 259 million was committed under the 2006 budget. The Contracting Authority is the European Commission. Some of the projects are implemented in co-operation with UNDP. The 2006 Aid Package is focusing on following priorities: 1) the development and restructuring of infrastructure in the field of the environment and energy, 2) the promotion of social and economic development through the upgrading of local infrastructure and the promotion of private sector development, and 3) bringing the Turkish Cypriot community closer to the Union through the provision of information on the European Union (EU) political and legal order, 4) Fostering reconciliation, confidence building measures, and support to civil society, 5) Preparing the Turkish Cypriot community to introduce and implement the *acquis communautaire*. Implementation of this package should be completed, with some exceptions, by 2012.

Lessons learnt:

Limited evaluation activities have been carried out as regards the assistance delivered in 2000-2003 to the Turkish Cypriot community. The interim evaluation of pre-accession assistance carried out in 2005 rates the relevance of the bi-communal projects as satisfactory with regard to stimulating co-operation between the two communities. Efficiency of implementation was less satisfactory in view of delays, some of them linked to the difficult and changing political context. However, effectiveness, impacts and sustainability were rated as satisfactory or highly satisfactory. In terms of sustainability, some concerns were expressed as regards activities under the Nicosia Master Plan in terms of resources available for the maintenance of restored monuments. This lesson will be taken into account in the detailed identification and design of infrastructure projects.

Concerning the 2006 budget and the € 259 million package the evaluation report is planned for mid September 2009.

4. STRATEGY

This financing proposal contributes to achieve the objectives laid down in Art. 2 of Council Regulation (EC) n° 389/2006.

5. CROSS-CUTTING THEME

Though the beneficiary is the Turkish Cypriot community, the cross-cutting theme of the assistance is the need for every project and activity to contribute to future reunification of the island *inter alia* by assisting the Turkish Cypriot community in complying with the *acquis communautaire*.

In accordance with recital n° 8 of Council Regulation n°389/2006 which reads "the development and restructuring of infrastructure, in particular in the areas of energy and transport, the environment, telecommunications and water supply, should take into account island-wide planning, where appropriate", in the administering of assistance under Regulation n°389/2006, the Commission will take care to ensure that planning and physical implementation is conducive to future interconnection once reunification takes place. Due account will be taken of studies available relating to the situation in the Republic of Cyprus when preparing technical specifications prior to tendering.

6. OBJECTIVES AND DESCRIPTION

Objective 1: Bringing the Turkish Cypriot community closer to the European Union.

Due to the political context, Turkish Cypriot students and teachers are not in a position to take part in the majority of community educational programmes. Exposure to European universities and colleges through a Community scholarship programme would contribute to lifting the sense of isolation. Previous scholarship programmes financed in academic years 2007/08 to 2009/2010 were successful.

Project 1.1: Scholarships for the Turkish Cypriot community.

The aim of this project is to increase the exposure of young people to European Union universities and colleges. The scholarship programme is for the academic year 2010-2011. It comprises scholarships for Turkish Cypriot students and teachers going abroad to study at universities in EU Member States.

The project will be implemented through a grant scheme.

Grants will be awarded to:

- (a) Turkish Cypriot undergraduate students who are registered in a university in the northern part of Cyprus, have at least completed one year of studies and have sufficient foreign language knowledge to study in the host university.
- (b) Turkish Cypriot graduates that have or will have a university degree before signing the contract and have sufficient foreign language knowledge to study in the host university. The priority will be for people that have never studied in a Member State and to graduates currently working in the northern part of Cyprus in areas where the Turkish Cypriot community have identified skills shortages.
- (c) Turkish Cypriot teachers, who are university teachers or school teachers having sufficient foreign language knowledge to study in the host university.

The grant will be in the form of a lump-sum to cover fees and living expenses. Costs exceeding the lump-sum have to be covered by the grant recipient.

The call for proposals will include more detailed award criteria.

The indicative time-frame for launching the call for proposals: February 2010

Objective 2: Human Resources Development.

It will address the unfavourable conditions relating to the labour market in the Turkish community by supporting activities in the field of human resources development, particularly supporting reforms in the education sector, strengthening of vocational training in order to supply the skills needed by local companies through a variety of schemes. The overall

objective of the programme is to support the modernisation of primary and secondary education in the northern part of Cyprus in line with global educational trends.

Project 1.2: Grants for schools.

The Turkish Cypriot community has a large stock of human capital in terms of educated and/or skilled labour. It has invested heavily in education over the years. Thanks to decades of investment in higher education, the northern part of Cyprus now enjoys a good position in terms of its basic capabilities in social sciences education. However it lags behind in basic technical education and in science and technology. This project aims at strengthening and developing human resources development policy in the Turkish Cypriot community through support to the overall education reform in primary and secondary schools and support to continuous vocational training.

There are **two priorities** under this project:

- (1) To promote the development of modern teaching and learning methods and raise the capacity of educational practitioners;
- (2) To improve the overall management of the educational system and to encourage networking between educational stakeholders.

The project will be implemented through a grant scheme.

The selection criteria are intended to help evaluate the applicants' financial and operational capacity to ensure that they:

- have stable and sufficient sources of finance to maintain their activity throughout the period during which the action is being carried out and, where appropriate, to participate in its funding;
- have the management capacity, professional competencies and qualifications required to successfully complete the proposed action. This also applies to any partners of the applicant.

The award criteria allow the quality of the applications submitted to be evaluated in relation to the set objectives and priorities, and grants to be awarded to actions which maximise the overall effectiveness of the call for proposals. They enable the selection of applications which the European Commission can be confident will comply with its objectives and priorities and guarantee the visibility of the Community financing. They cover such aspects as the relevance of the action, its consistency with the objectives of the call for proposals, quality, expected impact, sustainability and cost-effectiveness.

No EU grant may exceed 90% of the total eligible costs of the action. The balance must be financed from the applicant's or partners' own resources, or from sources other than the European Community budget.

The call for proposals will include more detailed award criteria.

The indicative time-frame for launching the call for proposals: February 2010.

Objective 3: Technical Assistance.

Under this financing decision, with a view to programming future financial assistance for the Turkish Cypriot community, short and medium term technical assistance will be mobilised *inter alia*:

- (1) To prepare studies on the areas of intervention foreseen by Council Regulation 389/2006 with a view to better define and prioritise actions to be supported, including

needs assessments. These studies could also include the formulation of sector strategies;

- (2) To review and/or to undertake feasibility studies for project preparation including, if required economic and financial analyses of the projects, detailed technical design specifications, legal assessments, etc. as well as preparation of tender documents for works, services, supplies and grant calls for proposals in line with required procurement procedures;
- (3) To provide expertise during project implementation phase if required (audits, monitoring as well as project evaluations, etc.).

Project 1.3: Technical Assistance.

The aim of the project is to provide technical assistance for the purpose of programming new funds and to ensure, if necessary, proper implementation of 2006 Aid Programme.

Indicatively, the project will be implemented through three service contracts.

The indicative time-frame:

Planning and contracting period: November 2009 - November 2010.

Implementation period: February 2010 – August 2011.

7. CO-ORDINATION WITH OTHER DONORS

EC assistance is not the only source of financial support to assist the economic development and the lifting of the isolation of the Turkish Cypriot community. The Turkish Cypriot community has been depending on regular financial transfers from Turkey both for funding running expenditure and capital investment projects.

The United States of America, through the United States Agency for International Development (USAID), is the other major donor to the Turkish Cypriot community. For many years, USAID has been providing support for bi-communal development projects implemented by the UN Development Program (UNDP).

Bilateral aid has also been deployed by EU Member States focusing on harmonisation with the *acquis*, as well as reconciliation activities.

The European Commission, through its Programme Team in Cyprus, maintains regular contact with other donors and coordinates closely with EU Member States and USAID.

8. BUDGET

Budget Table⁴

This Financing Proposal will be financed through Community funds of € 2 500 000 allocated as follows:

⁴ Individual financial allocations shown in the budget table are subject to fluctuations of up to +/- 15% over the lifetime of the financing proposal.

#	Title of the project	DAC Sector Code	Total Budget €	Budget Line
1	Scholarships for the Turkish Cypriot community		1 500 000	22.02 07 03
2	Grant for schools		500 000	22.02 07 03
2	Technical assistance		500 000	22.02 07 03
	TOTAL		2 500 000	22.02 07 03

9. IMPLEMENTATION

a) Financial and project management

Implementation of this programme will follow Article 53a of the Financial Regulation⁵ (centralised management), with DG Enlargement of the European Commission acting as the Contracting Authority.

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

b) Contracting and execution deadline

Contracts must be concluded by: 31 August 2011. In no case can the contracting period exceed 3 years after the date of the global commitments. End of execution deadline is 31 December 2012.

Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be de-committed (according to Art 77 of the Financial Regulation).

c) Nature conservation

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats Directive⁶ must be documented.

10. MONITORING AND EVALUATION

The accounts and operations of all activities carried out under the programme may be checked at regular intervals by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the Court of Auditors. Also, the Commission may carry out any necessary audits and on-the-spot checks.

⁵ Council Regulation (EC, Euratom) 1605/2002 of 25 June 2002; OJ L 248; 16.9.2002, p.1.

⁶ Council Directive 92/43/EEC; OJ 206/7; 22.7.1992.

To facilitate this, the Commission will keep accounting, financial and operational documents concerning all activities financed under this Programme, and will make available to the competent bodies of the European Commission and the European Court of Auditors on request all relevant financial information.

The Commission will monitor the implementation of the Programme on the basis of reports from the selected contractors and independent assessments.

The Commission services shall ensure that activities financed under Council Regulation 389/2006 will be subject to an interim and/or ex-post evaluation.

Appropriate planning and regular reporting will take place throughout implementation, with regular reporting.

11. AUDIT 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 Community, 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) 2185/96⁷.

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

12. VISIBILITY/PUBLICITY

The Commission will be responsible for ensuring that the necessary measures are taken to ensure that for all activities financed from the programme, the visibility/publicity will follow the EU Communication and Visibility Manual (July 2009) http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf. In implementing this Programme, the Commission shall provide for the maximum visibility of EU actions in the beneficiary community. The Commission and especially its Representation in Cyprus will ensure that information about the programme is communicated to the widest possible audience.

13. SPECIAL CONDITIONS

1. In the implementation of actions financed under this Financing Proposal, the rights of natural and legal persons, including the rights to possessions and property should be respected. As property aspects are to be investigated in the preparation of tender documents, alternative investments fully meeting the objectives of the various projects may need to be carried out should unmanageable property issues emerge. The Commission will provide information on the alternative investments undertaken

⁷ OJ L 292; 15.11.1996; p. 2

because of the need to respect the rights to possessions and property in the report to be drawn up annually according to Art. 10 of Council Regulation 389/2006.

2. In the implementation of this financing proposal, account will be taken of island-wide planning where appropriate.
3. 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.
4. 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 8 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.

