

## EN

### ANNEX

#### **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 2020 (Part I):**

<b>Beneficiary</b>	Turkish Cypriot community
<b>CRIS/ABAC Commitment references</b>	TCC/2020/XXX-XXX, SCR.DEC.XXXXXXX.XX
<b>Total cost</b>	EUR 5 000 000
<b>Union contribution</b>	EUR 5 000 000
<b>Budget line</b>	<b>13 07 01</b>
<b>Management Modes/ Entrusted Entities</b>	Direct management by the European Commission Indirect management by entrusted entities: Northern Ireland Co-operation Overseas
<b>Final date for concluding procurement and grant contracts</b>	3 years following the date of validation of the budgetary commitment
<b>Final date for contract implementation</b>	6 years following the date of validation of the budgetary commitment.
<b>Final date for programme implementation (date by which this programme should be de-committed and closed)</b>	10 years following the date of validation of the budgetary commitment
<b>Programming and Implementing Unit</b>	REFORM.A3 Cyprus Settlement Support

## **1.1. Introduction**

This 2020 Annual Action Programme (Part I) concerns the continuing implementation of the Aid Programme for the Turkish Cypriot community on the legal basis of Council Regulation (EC) No 389/2006, the "Aid Regulation", which establishes an instrument of financial support for encouraging the economic development of the Turkish Cypriot community (TCc). Between 2006 and the end of 2019, approximately EUR 555 million was programmed for operations under this Regulation.

On the basis of the objectives, as laid down in Article 2 of the "Aid Regulation", this Action Programme (Part I) contains the actions to be financed and the budget breakdown for the year 2020 as follows:

- for procurement implemented under direct management (1.2): EUR 2 000 000
- for actions implemented under indirect management (1.3): EUR 3 000 000

The overall objective of the Aid Programme is to facilitate the reunification of Cyprus by encouraging the economic development of the TCc, with particular emphasis on the economic integration of the island, on improving contacts between the two communities and with the EU, and on preparation for the *acquis communautaire*, as per the objectives below, which are 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 European Union's political and legal order, promotion of people to people contacts and Community scholarships;*
5. *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; and*
6. *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.*

The Aid Programme is intended only to be an instrument of exceptional and transitional nature and the Commission continues to hope for a breakthrough that will lead to a comprehensive settlement. In this event, assistance of a different form will be required. Council Regulation No 1311/2013, laying down the Multi-Annual Framework 2014-2020,

allows for its own revision<sup>1</sup> and Article 11 of Council Regulation (EC) No 389/2006<sup>2</sup> allows for any necessary adaptations in this context.

The Commission has been pursuing the six objectives of the Aid Regulation since 2006, but subject to a comprehensive settlement, reunification may have a more immediate and far-reaching impact on some sections of the Turkish Cypriot community than on others. However, it is not possible, at this point in time, to fully anticipate settlement related needs in the planning of the Aid Programme. Some changes may be foreseen within the remit of the current programming, but it is likely that most needs would have to be addressed through future amendments or interventions in the event of a settlement.

The programme choices for the 2020 programme (Part I) continue to reflect an established programming approach based on key principles of maturity, policy relevance and track record of past implementation. The underlying aim is to bring about more tangible and visible impacts in the priority areas of technical assistance provided through the Commission's Technical Assistance and Information Exchange (TAIEX) instrument, in line with the island-wide planning principle, where appropriate, and the overall objective of reunification. The second action proposed is intended to provide emergency economic support to self-employees, small and micro businesses, specifically those most affected by the economic crisis following the COVID-19 pandemic.

The 2020 programme (Part I) takes into account input received from Turkish Cypriot stakeholders and from relevant evaluations and needs' assessments conducted prior to the programming exercise and during the COVID-19 crisis. The views of the authorities of the Republic of Cyprus were also taken into consideration. In addition, the programme choices consider the findings of the works of the bi-communal Ad Hoc Committee on EU Preparation, within the framework of the settlement talks.

The rest of the 2020 package of projects is planned to be adopted through a separate financing decision (Part II).

### *Objective 2: promotion of social and economic development*

The promotion of social and economic development has received nearly a third of total Aid Programme resources since 2006. Support to SMEs has featured particularly strongly as

---

<sup>1</sup> Council Regulation No 1311/2013 Art. 22: "In the event of the reunification of Cyprus between 2014 and 2020, the MFF shall be revised to take account of the comprehensive settlement of the Cyprus problem and the additional financial needs resulting from the reunification."

<sup>2</sup> Article 11: "**Event of a settlement.** In the event of a comprehensive settlement of the Cyprus problem, the Council shall, on the basis of a proposal from the Commission, decide unanimously on the necessary adaptations to this Regulation."

businesses are likely to face a particular challenge of adjustment to competition and market requirements given the expected rapid application of the *acquis* following the settlement.

The TCc has been hard hit by the economic crisis following the COVID-19 pandemic. In the absence of significant funds from the local bodies and with a view of promoting social and economic development, a “one-off” financial assistance to businesses who have temporarily lost their livelihoods as a result of forced closure during the lockdown/curfew is necessary.

The package aims to provide direct assistance in order to “kick-start” the economy and save many self-employees, micro and small businesses from being forced to close. The assistance will be provided in the form of grants and should allow these businesses to restock their supplies and cover other costs necessary to restart their operations.

The project totalling EUR 3 000 000 will be implemented through indirect management by Northern Ireland Co-operation Overseas (NI-CO), which is an experienced partner currently implementing the “Innovative Entrepreneurship and Dialogue” project.

*Objectives 5/6: 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*

The Aid Regulation specifically provides for assistance for preparing the implementation of the EU *acquis* and for preparing legal texts aligned with the EU *acquis* to be immediately applicable upon the entry into force of a comprehensive settlement of the Cyprus problem. In addition, the Commission is required to provide continued support for the implementation of Council Regulation 866/2004<sup>3</sup> (the Green Line Regulation) and Commission Regulation 1480/2004<sup>4</sup>, thereby supporting economic integration of the island.

The TAIEX instrument enables experts to be sent from EU Member States to the TCc to explain the *acquis*, hold awareness seminars and workshops, prepare draft legal texts to be applicable after settlement, and provide technical assistance. In addition, TAIEX independent experts carry out the regular phytosanitary inspections of potatoes and citrus products, take honey samples for analysis, and produce an updated list of vessels whose catch can be traded across the Green Line.

---

<sup>3</sup> Council Regulation (EC) No 866/2004 of 29 April 2004 on a regime under Article 2 of Protocol 10 to the Act of Accession.

<sup>4</sup> Commission Regulation (EC) No 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 the Republic of Cyprus in the areas in which the Government exercises effective control.

The resources currently allocated to TAIEX expire in July 2020. The replenishment of funds with EUR 2 000 000 should ensure continuity of operations for two more years until 2022.

## **1.2. Procurement**

The objectives of the Aid Regulation, which are implemented through procurement procedures in the Action Programme 2020 (Part I), are the following:

- *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 (Objectives 5 and 6 of the Aid Regulation).*

In addition, under the Aid Regulation, assistance may also be used to cover in particular the costs of support and settlement-related activities.

### **1.2.1. TAIEX support (Objective 5 and 6 of the Aid Regulation)**

Subject matter of the contract envisaged

The Commission's Technical Assistance and Information Exchange (TAIEX) instrument is used to implement objectives 5 and 6 of the Aid Regulation and thus helps prepare the TCc for implementation of the acquis in view of the withdrawal of its suspension upon the entry into force of a comprehensive settlement of the Cyprus problem. The pace of 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 trade across the Green Line (Regulation 866/2004).

The TAIEX instrument is used for the above activities and delivers: seminars and conferences; workshops; expert missions; study visits to other EU Member States; mobilisation of medium-term experts; provision of tools and information products for, amongst 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 the achievement of the remaining objectives of the Aid Regulation, with activities in many fields including *inter alia* environment, transport, rural development, food safety, and phytosanitary and veterinary health. TAIEX transfers technical know-how and underpins and complements the other actions of the Aid 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.

Continuing TAIEX assistance is particularly vital to facilitate the settlement and finding solutions in the technical topics related to EU *acquis* preparation. This requires flexibility to adjust the extent, quantity, format and content of EU funded assistance.

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

Type of contract and type of procurement

Service contract

Indicative amount per contract

EUR 2 000 000 (for a 2-year period of implementation)

Indicative number of contracts envisaged

1 service contract

Indicative timeframe for launching the procurement procedure

3Q2019

Implementation

The action will be implemented directly by the Commission.

### **1.3. Actions implemented through indirect management**

The objectives of the Aid Regulation, which are implemented through indirect management in the Action Programme 2020 (Part I), are the following:

- *The promotion of social and economic development including restructuring, in particular concerning rural development, human resources development and regional development (Objective 2 of the Aid Regulation).*

#### **1.3.1. Emergency SME support (Objective 2 of the Aid Regulation)**

Amount

EUR 3 000 000 (for a 3-year period of implementation)

Implementing entity

**NI-CO (Northern Ireland Co-operation Overseas)** according to Article 62(1)(c) of the Financial Regulation.

NI-CO, as a not for profit, public body is the international outreach body of the Northern Ireland Government and part of the economic development agency Invest NI. NI-CO is an EC pillar-assessed body and currently implementing a number of large international capacity building projects under the EC PAGODA framework agreement.

Due to the very specific experiences made in Northern Ireland following the Good Friday agreement in 1998, NI-CO is in a unique position for the implementation of social and economic projects in the TCc. Across a number of new Member States, NI-CO has successfully shared the Northern Ireland model to support social and economic growth and promote stability, growth and reconciliation.

More specifically, NI-CO is now successfully implementing the “Innovative Entrepreneurship and Dialogue” project, with an overall budget of EUR 3 million. That project aims at developing a more conducive entrepreneurship ecosystem and NI-CO has established good working relationships with the business community in general and the SMEs in particular.

In addition to that, NI-CO has considerable experience in the implementation of projects in Cyprus through providing support to the TCc, medium-term assistance to the social services bodies in the TCc through TAIEX as well as support to the Ministry of Health in the Republic of Cyprus with a Twinning Light project.

#### Overall objective and purpose of the action

Within the overall objective of stimulating the economic development of the Turkish Cypriot community, the specific objective is to come to the assistance of those small and micro-businesses most directly affected by the lockdown and curfew imposed following the outbreak of the COVID-19 pandemic.

Support will be channelled in particular to Turkish Cypriot self-employees, micro and small enterprises in the form of small grants, to enable them to restock and pay urgent outstanding bills. The aim is to provide rapid “kick-start” assistance to save the businesses and stimulate demand in the local economy as soon as possible after the lifting of restrictions.

This action will be carried out in close co-operation and consultation with the relevant local bodies dealing with commerce, industry and small shopkeepers. Beneficiaries to the action will be natural and legal persons belonging to the Turkish Cypriot community and registered with the relevant local bodies, which have acquitted their obligations in terms of tax and social security contributions for themselves and their employees.

Should there be more applications than funds available, priority will be given to businesses owned by women, to recent start-ups and to those in areas which are considered as lagging-behind in economic terms.

**Expected results:**

- Self-employees, micro and small businesses saved from being forced to close and able to restart their operations after the lifting of restrictions.

**1.4. Indicative budget table by Objective**

Aid Regulation Objective	Procurement	Grant	Indirect Management with IOs/MS Body	Totals	
	EUR	EUR	EUR	EUR	%
<b>Objective 2: Promotion of social and economic development</b> <i>Emergency SME support</i>			3 000 000	3 000 000	60
<b>Objective 5/6: Preparation of legal texts / preparation for <i>acquis</i> implementation</b> <i>TAIEX assistance</i>	2 000 000			2 000 000	40
<b>TOTAL</b>	<b>2 000 000</b>	<b>0</b>	<b>3 000 000</b>	<b>5 000 000</b>	<b>100</b>

**1.5. Assumptions and accompanying actions**

There are specific issues that must be ensured by relevant Turkish Cypriot community stakeholders before the 2020 programme (Part I) can be fully implemented:

**Objective 2: Promotion of social and economic development**

- Efficient cooperation with the TCc bodies and business community to facilitate the implementation of the emergency support to SMEs.

**Objective 5/6: Preparation of legal texts / preparation for *acquis* implementation**

- Sufficient absorption capacity of the beneficiary and efficiently functioning working groups helping with programming and implementing TAIEX assistance.

Data necessary for monitoring purposes will be made available by the Turkish Cypriot community, allowing the Aid Programme to contribute to the ultimate goal of reunification of the island.



### ***1.6. Implementation modalities and general rules for procurement and grant award procedures***

#### **DIRECT MANAGEMENT:**

Part of this programme shall be implemented through direct management by the Commission in accordance with article 62(1)(a) of the Financial Regulation.

Procurement shall follow the provisions of Part One, Title VII of the Financial Regulation No 2018/1046.

#### **INDIRECT MANAGEMENT:**

Part of this programme shall be implemented by indirect management with entrusted entities other than the beneficiary in accordance with Article 62(1)(c) of the Financial Regulation.

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 entrusted entity is Northern Ireland Co-operation Overseas, which has been selected based on their technical competence, successful implementation of a similar ongoing EU action in the TCc, and represented model of supporting social and economic growth and promoting stability, growth and reconciliation.

#### **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.

### ***1.7. 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 Article 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.