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ANNEX I

The annex to Commission Implementing Decision C(2015) 8757 of 11 December 2015 adopting an Action Programme for the Turkish Cypriot community for the year 2015, as amended by Commission Implementing Decision C(2016) 6688 of 21 October 2016, by corrigendum of 5 April 2017 to Commission Implementing Decision C(2016) 6688 of 21 October 2016, and by Commission Implementing Decision C(2017) 5779 of 28 August 2017, is replaced in its entirety by the following text:

"ANNEX

ACTION PROGRAMME FOR THE TURKISH CYPRIOT COMMUNITY FOR THE YEAR 2015

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 2015:

Beneficiary	Turkish Cypriot community
CRIS/ABAC Commitment references	TCC/2015/038-371/ SCR.DEC.038371.01
Total cost	EUR 32,337,900.00
EU Contribution	EUR 32,337,900.00
Budget line	22.03.01.00 C1 EUR 30,600,000.00 22.03.01.00 C5 EUR 1,737,900.00
Management Modes/ Entrusted Entities	Direct management by the European Commission Indirect management by entrusted entities: European Bank for Reconstruction and Development British Council
Final date for concluding procurement and grant contracts	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 exceptions: 7 years following the date of validation of the budgetary commitment for contracts for water/wastewater works and supervision , where the works concerning infrastructures justify a longer implementation period.
Final date for programme	10 years following the date of validation of the budgetary

implementation (date by which this programme should be de-committed and closed)	commitment.
Programming and 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 (TCc). Between 2006 and the end of 2014, EUR 370 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 Commission monitors closely the settlement talks between the leaders of the two communities, which continue in 2015. The Aid Programme is intended only as a temporary instrument and the Commission continues to hope for a breakthrough that will lead to a comprehensive settlement. In this event, assistance in a different form will be required and Council Regulation No 1311/2131 laying down the Multi-Annual Framework 2014-20 allows for a revision to the programme.

¹ OJ L347, 2.12.2013, p.884.

The 2015 programme continues activities initiated under earlier programmes with sustainability and completion in some fields and fresh impetus in others. Despite the very wide scope and high ambitions of the Aid Regulation, a key consideration in the annual programming is to concentrate resources sufficiently to allow timely intervention and to produce impact.

Up to 2014, the EU investments in infrastructure have been the major component under the Aid Regulation with combined allocations of around EUR 150 million (about 40% of the total), covering mainly water, wastewater treatment and solid waste management.

Additional resources are needed for the construction of the new trunk sewer in the northern part of Nicosia.

Under the heading social and economic development a new initiative is taken to stimulate the economic sector by collaboration with the European Bank for Reconstruction and Development (EBRD) by providing technical assistance to support a credit facility for SMEs. Moreover, with the view to help improve skills and key competences and enhance labour mobility, the 2015 programme will also fund grants to schools and lifelong learning organisations.

One of the products with significant trade potential is the halloumi/hellim cheese of Cyprus for which an application for Protected Designation of Origin (PDO), by the Republic of Cyprus, covering the whole territory of Cyprus, is under consideration. Clearing the hurdles to meeting the EU food safety requirements is a prime goal of the TCc. The 2015 programme will also contribute to the eradication of animal disease through safe disposal of animal carcasses and animal by-products.

The reconciliation and confidence building actions are a centrepiece of the assistance given under the Aid Regulation and are highly visible and significant vehicles for intercommunal collaboration. Moreover, in particular the sixth grant scheme under the heading *Cypriot Civil Society in Action* will further increase civic engagement and foster cooperation between the two communities.

The Commission attaches great importance to the work of the Committee on Missing Persons (CMP), which establishes the fate of those persons declared missing by both communities as a consequence of the tragic events of 1963-64 and 1974. A bi-communal scientific teams works on exhumation of remains, identification and return to the families for burial as well as undertaking awareness sessions on the CMP in high schools in both communities. In its report of 10 November SWD(2015)216, the Commission noted that the process of granting the Committee on Missing Persons full access to all relevant archives and military areas needs to be expedited. Significant progress has recently been made in obtaining access to areas under Turkish military control. Mindful of the extreme importance of the work of the CMP, the Commission shall ensure that Aid Programme assistance is provided in 2015 at least at the same level as in 2014, in line with the CMP financial planning. It is not, however, necessary to allocate resources from the 2015 programme to continue this work, since transfers within an earlier financing decision will be sufficient to support the CMP at the same level as in 2014.

Likewise, sufficient resources have been also ensured under the 2014 programme for the Technical Committee on Cultural Heritage to continue its work on stabilisation and restoration of historical sites according to the priorities agreed by the bi-communal committee.

The "outsourcing" of the scholarship grant scheme through indirect management will continue and the 2015 programme provides resources for the 2016-19 academic years for TCc students and professionals to study in other parts of the EU.

Achieving significant economic development, as targeted by the Aid Regulation, is difficult under the current local business, political and operating environment, although important contributions can be made to reconciliation, communicating EU values, social and environmental improvements and to modernising farming and other business practices. Economic convergence of the two communities is hard to achieve without the breakthrough that a comprehensive settlement would bring.

The GDP per capita for the Turkish Cypriot community remains approximately half that of the government controlled areas and the long-term benefits of reunification are potentially enormous for the TCc and for Cyprus as a whole.

The programme choices for 2015 take stock of input received from Turkish Cypriot stakeholders and from relevant evaluations and needs assessments conducted prior to the programming exercise. The views of the authorities of the Republic of Cyprus were also taken into consideration.

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, stopping its assistance to the northern part of Cyprus and moving to a regional approach. The British High Commission had 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) supported Cypriot civil society activities including inter-communal projects.

1.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

(1) Description of the Action, objectives and expected results

Objective 1: Development and restructuring of infrastructure

Water sector and solid waste sector

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 was identified in the Nicosia Master Plan.

Additional financing is needed for the construction of this new trunk sewer due to further cost increases detected at the time of tender preparation and arising from changes on the sewer main alignment to mitigate property ownership issues. In order to take these further costs into account and group the overall estimated commitment under one annual allocation (originally planned under the 2014 programme), the total increased financing of this project, including the supervision services, shall be covered exclusively under the 2015 programme and

implemented under direct management (indicatively one works contract and one service contract for the supervision).

The tendering procedure for the service contract is ongoing.

The tendering procedure of the works contract was cancelled on 02/08/2018 in the absence of any offers meeting the selection criteria. The tender dossier has since been adjusted with the aim to increase competition and the interest of the market and the tender procedure was relaunched on 11/08/2018.

In the exceptional circumstances that:

- the second procurement procedure must be cancelled in the absence of any bidders meeting the selection criteria;
- the recourse to a negotiated procedure would not be considered as it would entail substantial modifications to the selection and/or award criteria;

the Nicosia Trunk Sewer project (the works and the service component) would then be implemented under indirect management with **UNDP (United Nations Development Programme)**. The ongoing service tender would therefore be cancelled.

In that case, the UNDP would be responsible for adjusting the tender dossiers, organising the procurement procedures, and overseeing works implementation (including ancillary services and supply contracts which may arise from the project design) as well as for the supervision of the works contract.

Delegating the implementation to the UNDP will allow for timely contracting, faster procurement, less burdensome procedures, and more flexibility in recruiting the necessary resources for running that project, whereas the Commission will maintain the overall steer and decision-making powers and ensure strong EU visibility and impact on the ground.

Another priority identified under the water sector is the reuse of treated wastewater for irrigation in Morphou/Güzelyurt, which will in turn protect underground water resources. Currently, approximately 950 m³ of treated water is flowing unproductively each day. Extensive water extraction from the Morphou/Güzelyurt aquifer (for drinking water and irrigation purposes) is causing salination and decreasing the quality of underground water. Due to the increasing salinity of the ground water, the quality of agricultural production is declining. Implementation of this project would not only provide added value to the local community and agricultural production, but it will also contribute to the protection of the aquifer. The project will comprise the accompanying supervision services.

The main beneficiaries of this project will be the inhabitants of Morphou/Güzelyurt (population of around 20,000). This action will also enable the local community of Morphou/Güzelyurt to harmonise its wastewater management with the EU requirements regulated under the Water Framework Directive 2000/60/EC and other complementing directives. A design and feasibility study for this project was conducted in 2015. The project estimate includes the construction of a 100,000 m³ capacity lagoon, approx. 3 km of main pipes and distribution points, and a pumping station. In order to optimise the absorption of the remaining savings, this project will be financed from the AAP 2015 and the AAP 2017. The latter will cover the left-over of the project not funded from the AAP 2015.

Continued support is needed for the capacity building to the water and solid waste sectors. An extension to the technical assistance contract is envisaged in order to further strengthen the

TCc capacity in delivering an enhanced service to the citizens and to ensure full sustainability of the use of infrastructure financed or to be financed by the Aid Programme. The project comprises three differing components with intertwined objectives of helping meet the challenges on cost recovery, sector governance and inter-sector coherence.

Expected result for Objective 1 is:

- Trunk sewer constructed and operating;
- Wastewater lagoon, pipes and distribution points, and a pumping station constructed; effective reuse of treated wastewater for irrigation in Morphou/Güzelyurt;
- Increased capacity of beneficiary for improved services and sustainability of investments in the water and solid waste sectors.

Objective 2: Promotion of social and economic development

Strengthening the dairy value chain

One of the continuous themes in the assistance to the TCc is the need to improve the agriculture quality chain with the goal of increased trade potential and hence of economic development. The northern part of Cyprus has competitive advantages for trade of a number of farm and processed food products, but this can only be realised to its full potential when the demanding EU hygiene and control requirements are met. In order to achieve this, improvements are needed from farm, crop and stock management to hygiene and labelling by the food processors. Considerable work has been already done, or is ongoing, under the aid programme on animal and crop husbandry, veterinary health, animal by-product disposal, farm improvements and in the area of identification of market potential. Assistance was also given for the development of the Rural Development Sector Programme. Member State experts have been engaged through TAIEX for inspections of produce to be traded across the Green Line.

A most important product for the TCc is halloumi/hellim cheese, for which a PDO classification, tabled by the Republic of Cyprus and covering the whole territory of Cyprus, is under consideration by the Commission. This would restrict the production for the EU market of cheese bearing this label to the island of Cyprus. Development of the EU market for halloumi/hellim produced in the northern part of Cyprus is a realistic goal for the TCc, but requires implementation of a TCc Action Plan already drafted and would entail a revision of the Green Line Regulation. Technical assistance will be provided to advise and facilitate the necessary actions including working with farmers and dairies on efficiency, hygiene, economics and marketing.

Contribution to eradication of animal disease (disposal of animal by-products)

As early as 2012, the Turkish Cypriot community requested high priority attention for the eradication of animal diseases. Apart from significant commercial implications for farms, many of which are 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 the safe disposal of animal carcasses and animal by-products must be

implemented to safeguard public and animal health and protect the environment. Management of animal by-products (ABPs) is strictly regulated in the EU and collection, storage and disposal methods are defined according to the level of risk they pose.

The overall objective of the contracts envisaged will be to contribute to the development and the establishment of a properly-governed ABP management system in the northern part of Cyprus. One contract is envisaged to cover the construction of facilities to collect, store, transport and dispose, through incineration, high risk (Category 1) ABP materials. The facilities will consist of seven decentralized collection and storage points, one call centre, and one central collection, transport and incineration centre. Additional equipment required for continuous gas emission monitoring of the incineration centre will also be covered by the contract.

Data needed for the technical specifications to complete the installation of a disposal system have been made available and this has significantly facilitated the preparation of the tender. The ABP project, as initially planned under the 2013 decision and further under the 2016 decision, shall be fully supported with an increased amount under the 2015 programme.

Support to SMEs and the private sector

With economic development a central theme of the Aid Regulation, support to the private sector is an essential element of the aid programme to the TCc. When TCc enterprises will be exposed to regional competition, gaps in productivity across the value chain will most likely pose a threat to the survival of many of them. Assistance has been given both in the form of technical support to enhance local capacities and later embrace EC standards, and also as grant support e.g. for enhancing the REEE and ICT uptake by SMEs. Limited access to credit is still consistently cited by businesses as a constraint.

The European Bank for Reconstruction and Development (EBRD), which started operations in Cyprus in 2014, has a mandate for economic development and takes an approach that combines access to finance with the provision of business advice. EBRD proposes to include the northern part of Cyprus in its operations and, against this background, EBRD and the Commission intend to collaborate in an scheme providing a EUR 25 million credit line for Turkish Cypriot SMEs supported by a technical cooperation programme. The credit (fully funded by EBRD) will be made available through selected Partner Financial Intermediaries (PFIs) financial intermediaries. The Commission will provide funds for technical assistance to the PFIs and for advice to SMEs and develop skills in application for funding.

The SME support project will be implemented through indirect management according to Article 58(1)(c) of the Financial Regulation.

Innovation and change in education

According to the strategic framework for European cooperation *Education and Training 2020* high quality pre-primary, primary, secondary, higher and vocational education and training, and creating lifelong learning opportunities are fundamental to Europe's success. The Aid Regulation requires human resource development under the banner of social and economic development and the aid programme has delivered assistance directly to schools and also in the field of vocational training and lifelong learning. The 2015 programme includes an allocation for grants to schools and lifelong learning organisations.

Expected results for Objective 2 are:

- Dairy sector action plan implemented;
- halloumi/hellim meeting EU food safety standards can be produced in the northern part of Cyprus (medium-term goal);
- Safe disposal of animal by-products (ABP), collection, storage, transport and disposal system in place.
- Enhanced SME competitiveness through business development skills and better access to credit;
- Skills and key competences improved, enhanced labour mobility achieved and retraining options available through grants to schools and lifelong learning organisations;

Objective 3: Reconciliation and confidence building measures

Support for Civil Society

The Treaty on the European Union (Article 2) states that *the Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.* An empowered civil society can play an important role in ensuring these principles are upheld in practice. It is also in itself a crucial component of any democracy. By articulating citizens' concerns, civil society organizations (CSOs) are active in the public arena and engage in initiatives which foster pluralism and further participatory democracy.

The extent of social and political engagement in the northern part of Cyprus remains limited and the effectiveness of advocacy is also low. In particular, the CSOs themselves have few resources and the impact of CSO activities lacks sustainability. The Commission has consistently tried to maintain contact with individual citizens and civil society groups in the northern part of Cyprus in order to consolidate and enhance the platforms that exist and also to stimulate the adoption of EU values of dignity and democracy. It is particularly important to maintain this link at a time when the two communities have re-engaged in settlement talks and the civil society needs to be heard. To this end, the 2015 programme includes resources for the sixth grant scheme under the heading *Cypriot Civil Society in Action* to strengthen CSOs, increase civic engagement and foster cooperation between the two communities. This will be supported by a previously financed technical assistance project that will start in 2015, providing thematic training and assisting CSOs in developing links, establishing platforms and management capacity.

Expected result for Objective 3 is:

- CSOs regularly network within and outside the northern part of Cyprus and build coalitions.

Objective 4: Bringing the Turkish Cypriot community closer to the Union

Scholarships

With a consistently strong level of appreciation, one of the ever-present features of the aid programme is the scheme awarding scholarships for university study or professional

programmes elsewhere in the EU. These scholarships both provide experience and a route to qualifications abroad and contribute to the image of the EU among Turkish Cypriots. Students and teachers from the TCc have no or only limited access to EU scholarship programmes. Since 2007, eight annual grant schemes have delivered around 800 grants for study in EU places of learning. There is always considerable demand for these scholarship grants and the application process has been consistently refined since 2007. Advantage has been taken of the expertise of the British Council, which has been present in the northern part of Cyprus since 1975 and indirectly managed the EU scholarships programme for the TCc for 2014 and 2015. Under the 2015 programme, the British Council will be engaged through a Delegation Agreement to implement the scholarship programme for the next three academic years, 2016-19.

Expected results for Objective 4 are:

- Level of technical/professional skills raised;
- Positive impact on job interview performance;
- Improved understanding of TCs of the EU;
- TC contacts established with other EU citizens
- Improved knowledge of EU languages by beneficiaries.

The scholarship project will be implemented through indirect management according to Article 58(1)(c) of the Financial Regulation.

Support Facility

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, supporting studies and other technical input. The major component of this will be renewal of the service contract for provisions of office premises and other logistics for the EU Programme Support Office (EUPSO) in the northern part of Nicosia. EUPSO houses the Commission staff implementing the aid programme in the field.

The Support Facility may also provide resources for particular activities to facilitate the settlement process, which the EU undertakes to support. These interventions may be necessary at short notice and availability of resources will be essential. These actions may take the form of, for example, symposia, community information or other technical input.

In view of the ongoing settlement process and the potential for breakthrough at the political level, the Commission must stand ready to deploy resources as opportunities arise and are supported by both communities. At the programming stage, these cannot be clearly identified, but are likely to include new confidence building measures. It may become necessary to commit resources from the 2015 Support Facility, for example for preparative studies for new crossing points on the Green Line.

(2) Assumptions and accompanying actions

There are several specific issues that must be resolved and agreed by relevant Turkish Cypriot community stakeholders before the 2015 programme can be fully implemented:

Objective 1: Development and restructuring of infrastructure

- It is assumed that relations with contractors in the northern part of Cyprus will be sufficiently smooth. Infrastructure investments remain a risk for the Commission, both in terms of implementation and sustainability. The Commission remains committed to infrastructure development as required by the Aid Regulation, but relies on the cooperation of beneficiaries for full commitment and absorption of funds;
- All potential property-related issues must be identified, including site access issues, planning consents and methods of working.

Objective 2: Promotion of social and economic development

- The actions leading to the implementation of the TCc dairy sector action plan will require committed and continuous involvement of the beneficiaries. The many technical improvements necessary cannot be listed here, but will be incorporated into the Action Plan as this is further elaborated;
- It is assumed that a revision of the Green Line trade regulation will eventually be possible;
- It is assumed that sufficient capacity within local business consulting bodies will be developed for the EBRD credit scheme to be fully effective;
- It is assumed that grant applications of sufficient quality will be generated by schools and lifelong learning organisations.

Objective 3: Reconciliation and confidence building measures

- It is assumed that grant applications of sufficient quality will be generated by civil society organisations.

Objective 4: Bringing the Turkish Cypriot community closer to the Union

- The scholarship scheme is aimed directly at individual students, but collaboration with TCc places of learning for publicity of the grant scheme and for support is required. The qualifying conditions for the scheme will be described in the guidelines issued with the calls. It is assumed that the demand from students demonstrated in previous years will be maintained.

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

Procurement:

- the global budgetary envelope reserved for procurement:
Global amount EUR 20,416,274
- the indicative number and type of contracts:
3 works, 6 service and 2 specific contracts under global Framework contract

- indicative time frame for launching the procurement procedure (Q=quarter):
Services (including under framework contracts): 3Q17 (1 contract), 2Q17 (1 contract), 2Q18 (1 service), 4Q16 (2 service), 4Q17 (2 services).
Works: 2Q17, 2Q18.

(4) Entities entrusted with budget implementation tasks

Objective 1 components: *Water sector and solid waste sector*

In the exceptional circumstances that the Nicosia Trunk Sewer project could not be implemented under direct management following cancellation for the second time of the tendering procedure (see more details in section 1.2 (1)), this project would then be implemented under indirect management with **UNDP (United Nations Development Programme)**.

The UNDP is a well-established partner in Cyprus, with a proven track record and a solid on-the-ground expertise in implementing major infrastructure projects. The UNDP is also a natural partner for cooperation on bi-communal projects which would constitute a large part of this investment and which would therefore make the UNDP involvement all the more pertinent.

The Commission has signed a Financial and Administrative Framework Agreement (FAFA) with the UN for use of the (PAGODA) Delegation Agreement form of contract.

Objective 2 components: *Support to SMEs*

The **EBRD** has a reputation and track record as a leader in developing small businesses and laying foundations for sustainable growth. The model for EBRD intervention with credit facilities is developed and proven; results from over 14,000 clients in 35 countries show significant improvements in turnover and productivity. EBRD has contributed significantly to the development of business consultancy as a profession. Since 1993, EBRD has been supported in its activities by more than 20 bilateral and institutional donors, primarily the EU.

The Commission has signed a Financial and Administrative Framework Agreement (FAFA) with the EBRD for use of the (PAGODA) Delegation Agreement form of contract.

Objective 4 components: *Scholarships*

The **British Council** has a good track record in the education field and in scholarship schemes, including other schemes for Turkish Cypriot and Greek Cypriot students, Chevening and Commonwealth scholarships and fellowships, Leonardo Da Vinci, Erasmus, Youth in Action and Jean Monet schemes. British Council has successfully implemented the EU scholarship programme for 2013-14 with 115 grant awards made and continues the programme for 2014-15.

The British Council has been positively assessed by the Commission for the implementation of budget tasks including management of grants.

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

It is planned to sign two Delegation Agreements:

EBRD: Support to SMEs (indicative amount EUR 1.65 million 1Q16);

British Council: Scholarships (indicative amount EUR 7.5 million 4Q15).

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

The tasks specifically delegated to EBRD will be all implementation activities including: procurements, payments, project management, monitoring and visibility actions.

Decisions necessary on strategy or policy lines will be taken by the Commission, including decisions on grant eligibility criteria.

Eventually, the Nicosia Trunk Sewer project may be possibly implemented by the UNDP provided that the procurement process does not materialize. For more details, please refer to section 1.2 (1).

The above organisations are well established in their respective fields and are long-standing, financially secure implementation partners of the Commission. Under the Aid Programme, the Commission has already committed, under indirect management, EUR 4 million to the British Council.

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

Grant – Calls for proposals:

- Objectives and foreseen results:

Under Objective 2

Innovation and change in education: Skills and key competences improved, enhanced labour mobility achieved and retraining options available.

Under Objective 3

Support to civil society: CSOs' governance transparent and accountable;

CSOs regularly network within and outside the northern part of Cyprus and build coalitions.

- 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 knowledge and capability).

- 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:

90 % of the eligible cost of the action for grants under Objective 2

95 % of the eligible cost of the action for grants under Objective 3

Indicative amount of each call (Objectives 2 and 3):

EUR 1,500,000

- Indicative date for launching of the calls for proposals: 3Q16, 2Q17

2 INDICATIVE BUDGET TABLE

Objective	Procurement	Call for Proposals / Direct Grant Award	Indirect Management with IOs/MS Body	Totals	
	EUR	EUR	EUR	EUR	%
Objective 1: Infrastructure <i>Water sector and solid waste sector</i>	13,945,329			13,945,329	43
Objective 2: Social and economic development <i>Dairy sector</i> <i>Disposal of animal by-products</i> <i>Support to SMEs</i> <i>Innovation/change in education</i>	1,351,500 2,400,000	1,276,551	1,650,000	6,678,051	21
Objective 3: Reconciliation and confidence building <i>Support to civil society</i>		1,500,000		1,500,000	5
Objective 4: Bringing TCs closer to the Union <i>Scholarships</i>			7,495,075	7,495,075	23
Support facility	2,719,445			2,719,445	8
TOTAL	20,416,274	2,776,551	9,145,075	32,337,900	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, including costs for supporting staff, renting of premises and supply of equipment, 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."