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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Thirteenth Annual Report 2018 on the implementation of Community assistance under 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

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1. INTRODUCTION

Council Regulation (EC) No 389/2006[1] (the "Aid Regulation") is the basis for the provision of assistance to the Turkish Cypriot community (TCc) and requires annual reporting to the Council and the European Parliament. This report covers the year 2018.

2. PROGRAMMING OF THE ASSISTANCE

Between 2006 and the end of 2018, EUR 520 million was programmed for operations under the Aid Regulation. The amount committed in October 2018 for the 2018 annual action programme was EUR 34.5 million[2]. The Multiannual Financial Framework (MFF) 2014-20 provides a multi-annual perspective to the programme with a provision for stable, annual funding. The assistance programme is, however, temporary in nature, aiming to facilitate the reunification of Cyprus, and both the Aid Regulation and Council Regulation No 1311/213[3] laying down the MFF, allow for a revision in case of reunification.

3. IMPLEMENTATION MECHANISMS

The programme is implemented in the areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control and where the application of the *acquis* is temporarily suspended pursuant to Protocol 10 of the Treaty of Accession. Assistance is implemented primarily through direct management by the European Commission, but some projects are indirectly managed by the United Nations Development Programme (UNDP), the European Bank for Reconstruction and Development (EBRD), the British Council, or Northern Ireland Co-operation Overseas (NI-CO).

The Commission operates in a unique political, legal and diplomatic context. *Ad hoc* arrangements are needed to implement the programme while respecting the principles of sound financial management. In EU-funded aid programmes, in normal circumstances, agreements with a beneficiary government would establish the legal framework for development assistance. No such agreements can be made for the assistance to the TCc. Management and mitigation of the inherent risk is part of the Commission's responsibility and measures adopted include intensive monitoring of contracts and provision of support to beneficiaries, revised payment conditions and a careful approach to the use of bank guarantees. The assistance includes a significant amount of grant support, requiring resource-intensive management.

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1 OJ L65, 7.3.2006, p.5.
2 Commission Decision C(2018) 6695.
3 OJ L347, 2.12.2013, p.884.

To ensure successful and sustainable implementation in this environment, the TCc must fully engage in the preparation for the *acquis* roll-out following settlement.

The Programme Team operates through the EU Programme Support Office (EUPSO) in the northern part of Nicosia. The Representation of the Commission in Cyprus also hosts meetings, seminars and press conferences and communicates with the Cypriot public throughout the island, including on the Aid Programme. In addition, the EU Infopoint, funded under the Aid Programme, carries out a range of communication and visibility actions, providing information about EU policies, priorities and actions in support of the TCc, and promoting European culture.

4. IMPLEMENTATION DURING THE REPORTING PERIOD

4.1. General overview

The Commission continues to implement the Aid Regulation with the overall aim of supporting reunification. The Commission stands ready to adapt the programme as a result of any agreements reached in the settlement talks.

Operations in 2018 included the continuation of a number of established and successful projects, such as EU scholarships and confidence building measures in support to the Committee on Missing Persons (CMP) and to the Technical Committee on Cultural Heritage (TCCH).

Assistance provided to key economic sectors preparing for a settlement was reinforced through projects for the development of the private sector and rural areas as well as human resources development. Efforts towards tangible improvements in the area of animal diseases eradication and food safety continued.

Considerable gaps in the capacity of the beneficiaries to effectively implement the *acquis*, following a comprehensive settlement, still exist and the approval of many legal texts remains pending. However, the TCc has a firmer understanding of the challenges linked with the implementation of legal texts aligned with EU standards.

Grant support remains an essential element of the programme. For the scholarship programme, the Commission continued to make recourse to outsourcing, to help ensure that grants reach the beneficiaries in a timely and efficient manner.

In addition, since 2008, a Project Management Unit (PMU) set up through a technical assistance service contract has been providing services to support the implementation of grant schemes. This PMU, renamed to Grant Support Team (GST) in 2018, continues to offer valuable help to the Commission in terms of increased efficiency and assurance in the operational management, implementation, and monitoring of grant schemes.

One continuing issue has been the construction of the Famagusta sewage network, the contract for which was terminated in December 2013 by the Commission. The dispute with the former contractor has been brought to arbitration as all options for an amical settlement had been exhausted. In parallel, the related remedial works tender was launched in 2018.

At the end of the year, 206 contracts were overall running under the Programme.

4.2. Progress by objectives

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*.

The activities undertaken in 2018 with respect to each of the objectives of the Aid Regulation were:

4.2.1. Objective 1: Developing and restructuring of infrastructure

A contribution agreement with the UNDP was signed in December 2018 for the implementation of the new Local Infrastructure Facility (LIF). The facility is designed as a transparent mechanism streamlining priority infrastructure investments under the Aid Programme. The contribution agreement is for a value of EUR 17.7 million, over a three-year period.

The facility aims to provide support for identifying, screening, developing, procuring, and physically implementing relevant local infrastructure investments. Projects will be selected through regular calls for expression of interests to local beneficiaries. The following indicative shortlist includes projects ready for implementation starting early 2019:

- Pedieos/Kanlıdere River Rehabilitation Project;
- Decommissioning of old Nicosia wastewater treatment plant (WWTP);
- Extension of Morphou/Güzelyurt and Famagusta WWTPs;
- Establishment of green waste composting facility in Nicosia.

An EU-funded detailed feasibility study for the rehabilitation of the Pedieos/ Kanlıdere River was completed in December 2018. The scope of the study includes the construction of a linear park along an approximate 5 km length of the river consisting of flood protection measures, cycling and walking paths, recreational areas and environmental educational facilities. By extending north and south of the Green Line, this bi-communal project aims to bring the Cypriot communities together through recreational activities.

In the water sector, a EUR 10.9 million works contract was signed in December 2018 for the construction of the Nicosia branch of the northern Nicosia Trunk Sewer (NNTS). The Commission also signed the related EUR 0.7 million service contract for supervision of the works. The works are due to commence in the second quarter of 2019 for a period of 33 months. The project will involve construction of approximately 13 km of sewers and 4 pumping stations to convey wastewaters of Nicosia to the bi-communal Mia Milia/Haspolat WWTP in Nicosia, itself an EU-funded project completed in 2013. Since the existing trunk sewer, which covers central, northern and southern Nicosia, is now running at full capacity, the NNTS will facilitate the connection of more urban areas to the WWTP in line with the Urban Waste Water Treatment Directive.

In December 2018, a EUR 2.14 million works contract and a EUR 0.5 million service contract were signed for the EU-funded project concerning the construction of an irrigation system for the reuse of Morphou/Güzelyurt WWTP treated wastewater. The works commenced in February 2019 for a period of 29 months. The project will utilise the treated wastewater from the WWTP by construction of a water reservoir and an irrigation water distribution system. This will facilitate the safe reuse of 500 million litres per year of high quality water to irrigate the local crops. Through this project the Commission aims to raise awareness about the benefits of reusing treated wastewater for agricultural irrigation in the northern part of Cyprus.

The feasibility study and conceptual design of the distribution system for the use of treated wastewaters from the bi-communal Mia Milia/Haspolat WWTP in Nicosia are completed. The final detailed design and associated tender dossier for this important bi-communal project are in the final stages of approval and expected to be completed in the second quarter of 2019.

The works tender for the necessary remedial works to the Famagusta sewage networks was launched in 2018. The works contract and the related supervision service contract were signed in April 2019.

Preparatory activities were initiated for the first phase of the decommissioning of the old Nicosia WWTP. The project will provide pre-treatment facilities for wastewater streams originating from the food industry and reduce the surface of the lagoons used for further treatment of these streams.

Assistance in the solid waste sector continued through different actions. Two contracts – "Extension to the Koutsoventis/Güngör landfill" and "Landfill Degassing Plant" – signed in December 2017 are in the final stages of completion. The first section of the landfill extension works was given over for use to the TCc in September 2018.

With the assistance of Commission experts, a legal text on Packaging Waste was finalised in line with EU standards and best practice in December 2018. In a continued drive towards the sustainable management of packaging waste, the Aid Programme is supporting the development and establishment of Producer Responsibility Organisations (PRO's). To this end, discussions with "Green Dot Cyprus" have been initiated. Furthermore, the Solid Waste Management Database completed in 2017 and based on the European Solid Waste Catalogue has been expanded in 2018 to incorporate waste waters. Due to the successful "uptake" of the database by the beneficiary, current plans for 2019 foresee its further expansion to incorporate packaging waste tracking and management of operational licencing for PRO's.

The installation, training and commissioning of a new sterilisation facility for treatment of hazardous medical waste was finalised with the signing of the Provisional Acceptance Certificate in August 2018. This project was further bolstered through a technical capacity project involving the design and implementation of a sustainable Medical Waste Management System. Follow-up assistance continues to the final beneficiary into 2019 to help ensure sustainable operation.

Finally, solid waste management was also addressed in grant schemes supporting civil society and local communities. The awarded grants involve the setting-up of solid waste transfer stations and green waste management according to a coherent EU developed Integrated Solid Waste Management Plan. The projects are progressing and expected to be finalised by December 2020.

The tender dossier for the supply of laboratory equipment and instruments for air, fuel and water analysis was launched in December 2018. The contract is expected to be signed in the third quarter of 2019. The equipment supplied under this contract will enable analysis and quality monitoring in order to achieve compliance with EU Directives.

Also, a project for "Supply of Air Quality Monitoring Equipment" has been approved within the 2018 Aid Programme budget and technical specifications have been

drafted with tendering expected in mid-2019. The equipment will improve the existing air quality monitoring network established in 2009-2010 through EU funding.

A framework contract was signed in November 2018 for technical assistance for the implementation of an Energy Efficiency Programme in schools. The contract will provide an assessment of the energy efficiency situation in 10 pilot schools resulting in a feasibility study detailing potential measures to increase the energy efficiency in the existing buildings. The contract also aims to increase awareness on energy efficiency in the schools.

Finally, a project for the "Supply of Emergency Response Equipment for Prevention of Water Pollution" approved within the 2018 Aid Programme budget is currently under preparation with the tender documentation being developed. It is expected this tender could be launched by mid-2019.

4.2.2. Objective 2: Promoting social and economic development

The "Technical Assistance to the Private Sector (TAPS)" project, launched in November 2015, was finalised in September 2018. In order to ensure sustainability of the action, TAPS work on innovation and entrepreneurship will be followed up through a Contribution Agreement with Northern Ireland Cooperation Overseas (NI-CO) signed in December 2018. The project "Innovative Entrepreneurship and Dialogue" with a duration of three years has an overall budget of EUR 3 million. The action is a response to the need for more shared spaces in Cyprus to allow for greater interaction, exchange of experience and opinions, effective partnerships and research. The action aims to open up physical and virtual spaces for innovators, entrepreneurs and researchers, community dialogue and knowledge sharing.

A call for proposals "Competitive Enterprises, Clusters and Business Support Organisations" with a budget of EUR 5 million was launched in April 2018. The individual grant contracts are expected to be signed in the second quarter of 2019. A framework contract to develop technical specifications for an IT system to support local bodies in the implementation of the scheme for market surveillance was signed in September 2018.

In addition, the Delegation Agreement with the EBRD which aims to address the two fundamental elements needed to strengthen local SMEs' competitive position – access to finance and business advice – was continued. By December 2018, 53 consultancy projects were approved and in implementation or completion.

In the field of rural development, the Commission signed a new contract in December 2018 to provide technical assistance through Farm Advisory Services. The contract will run for 30 months. The Commission also launched a call for proposals (Rural Development IV) with a budget of EUR 5 million (half for animal husbandry and half for crops). The individual contracts are expected to be signed in the fourth quarter of 2019.

In 2018, the EU technical assistance further improved capacities of veterinary specialists to prevent, control and eradicate animal diseases. As a result, veterinary specialist staff has been enabled to design and implement disease surveillance, control and eradication programmes, in line with EU requirements. Capacities for early detection and elimination of emerging animal diseases (such as foot and mouth disease, lumpy skin disease, peste des petites ruminants and sheep and goat pox)

have also been strengthened. Crisis preparedness plans and procedures to contribute to fast and effective elimination of animal disease outbreaks were drafted.

Continued sampling and testing of animals (fully EU funded) resulted in around 40% of sheep, goat and cattle holdings being declared free from animal diseases such as brucellosis, bovine tuberculosis and leucosis, in accordance with EU requirements.

Owing to the TAIEX instrument and technical assistance, legal texts and engagement procedures for involvement of the private sector (i.e. private veterinarians) in the implementation of animal diseases programmes and other public veterinary tasks (such as controls) have been finalised. This should contribute to increased local capacities for implementation of EU aligned veterinary programmes and requirements. In addition, a system for regular exchange of information and documentation with stakeholders on veterinary programmes/activities has been established. The objective is to contribute to better mutual understanding and faster improvement or resolution of issues between veterinary services and stakeholders.

Moreover, in 2018 the Commission signed a new EUR 2.4 million works contract to support the construction of an animal waste disposal system in the TCc. The objective is to improve public health, animal health and environment by implementing a system for the collection, transport and disposal of materials of animal origin that people do not consume (animal by-products). The contract will finance the building of a central location for collection, storage and incineration of animal by-products and 6 satellite collection and transfer centres distributed across the northern part of Cyprus.

In the education sector, 15 grant projects that were awarded in 2016 under the EUR 1.5 million grant scheme for "Innovation and Change in Education VI" continued to be implemented in 2018; 10 of them were accomplished towards the end of the year. The projects focus on improving teaching/learning capacities in the schools with introducing extra-curricular and soft skills programmes as well as establishing science labs and a green-house for organic farming. On the other hand, the life-long learning projects help improving professional capacities of architects and engineers and introduce entrepreneurship and life-long training courses to improve the employability of youth.

During 2018, 10 additional grant projects were awarded under the EUR 1.5 million grant scheme for "Innovation and Change in Education VII". Under this new scheme, the school projects focus on enhancing social inclusion and mobility of children with special needs, improving English and Greek language learning practices with the aid of technology, and introducing the extra-curricular activities to improve life skills of primary school students. The lifelong learning projects help improving the entrepreneurial skills of youth and women, enhancing social entrepreneurship practices in the TCc, and developing lifelong learning programmes to improve employability of youth and people with disabilities. The grant projects are to be finalised by 2021.

The second technical assistance project for "Vocational Education, Training and Labour Market (VETLAM II)", launched in November 2015, came to an end in November 2018. The project helped in revising and developing 41 occupational standards for vocational skills. In addition, it contributed to the development of occupational classification following the ILO standards ISCO-08, vocational schools strategy, and active labour market measures for three selected disadvantaged groups (youth, women and people with disabilities). The assessment procedures for work-

based learning and apprenticeship programmes as well as a local pool of assessors were also developed.

In further supporting the education sector in line with the priorities of EU Strategic Framework – Education and Training 2020, a framework contract was signed. The technical assistance aimed to carry out an assessment of the current situation in the education sector and its linkage to the economy, facilitate the preparation of a development plan, and help identify the needs that could be addressed with future EU support in the area of education. The support was concluded in December 2018 and its deliverables will be used as an input for the preparation of future support to the education sector.

Building on the results of previous analytical work, the second phase of the economic monitoring programme conducted by the World Bank provided additional in-depth analysis and technical assistance in important areas. The programme focused on fiscal analysis, financially sustainable public administration bodies, economic, trade-related effects of reunification, private-sector development and social inclusion, as well as macroeconomic monitoring. In line with the political priorities in the framework of the Aid Programme, an additional envelope of EUR 4.8 million was contracted in 2017 for the continuation of the engagement of the World Bank to build on the analytical and advisory work done so far and to continue providing advice and targeted support to the TCc until December 2020. The programme continued its activities in 2018, with targeted support for private sector development, agriculture sector, social inclusion and local community bodies.

4.2.3. Objective 3: Fostering reconciliation, confidence building measures, and support to civil society

The Committee on Missing Persons (CMP), supported by the Aid Programme through an indirect management arrangement with UNDP, continued its field and laboratory work. By the end of 2018, out of the 2 002 total missing persons, the CMP had exhumed 1 202 sets of remains; 927 of them were genetically identified and returned to their families.

In December 2018, the contribution agreement with UNDP was extended to provide funding for the operations of the CMP for the year 2019, for an amount of EUR 3 million. Overall, in the period 2006-2019 the EU contributed with a total of EUR 25.5 million which amounts to 75% of the overall funding provided to the CMP in 13 years.

With the passing of time, it is increasingly difficult to obtain precise information to determine the location of the burial sites. This is a key challenge to be addressed now by renewed efforts in researching civil and military archives in Cyprus and abroad, as well as with a stronger use of IT tools in order to facilitate the investigation, excavation and exhumation phases.

The additional top-up of EUR 0.4 million to the usual yearly funding is financed by the 2017 Aid Programme budget upon a specific request from the CMP. It covers the increased costs of DNA testing and the increased costs of compensation and reparation of road and private properties affected by excavations. In addition, the top-up also finances the feasibility study of the Dikomo/Dikmen landfill.

At the end of 2017, a two-year investigation resulted in information about the relocation of human remains from Askeia to the dumping site at Dikomo/Dikmen allegedly between 1995 and 1996. Not aware of this information, the EU – between

2009 and 2012 – funded a project to rehabilitate the landfill. In January 2018, the Commission shared with the CMP the technical specifications and the drawings of the works carried out under the EU project. In February 2018, the CMP requested to fund a feasibility study in order to assess the opportunity to excavate in the landfill with the appropriate safety measure to minimise the sanitary risks of an excavation as well as to estimate the costs of such an excavation and the subsequent potential rehabilitation of the site. The Commission replied positively to this request and the study is currently ongoing.

Cultural Heritage protection through the bi-communal Technical Committee on Cultural Heritage (TCCH) remained a key component of the reconciliation and confidence building actions supported under the Aid Programme. Overall, the Cultural Heritage programme has received EUR 14.7 million of EU funds which are being used to improve the protection of 75 cultural heritage sites across the island. These include 58 completed work projects, 9 completed design projects, and 8 ongoing projects. During 2018, the main achievements were the completion of the conservation works for the Minaret of Camii-Kebir and the Hamam in Paphos, Tuzla mosque in Larnaca and Agia Triada archaeological site, and Agios Philon conservation of the archaeological site in Karpasia/Karpaz. In Famagusta, the St. Mary of the Armenians and St. Mary of the Carmel were renovated, together with the Ravelin/Land gate and St. Anne church. Steps are being taken to develop the skills of care-takers in order to ensure adequate maintenance and caretaking of restored sites by the beneficiary communities.

In response to an initiative of the two Cypriot leaders for new confidence building measures, the Commission acted swiftly in 2015 to reallocate the necessary resources for the opening of the new crossing points at Deryneia and Lefka-Apliki. The crossing points opened on 2 November 2018.

Support for civil society continued in 2018. Civic Space, the technical assistance for civil society organisations (CSOs) continued to build CSOs' capacities, promote an enabling environment for the development of civil society, and stimulate networking and joint actions with Greek Cypriot and other EU CSOs. Since 2015, through its "Grow Civic" mechanism, Civic Space has supported 49 active citizenship initiatives (8 of which in 2018) in fields such as peace and reconciliation, youth, education, health, art, human rights or environment. The Civil Society Forum, a platform where CSOs can express their expectations and priorities, was convened every three months. It acted as a catalyst for advocacy and promoted active citizenship.

A full month of CSO actions under the name of "Open Door Festival" took place for the third time in September-October 2018, with the aim to increase awareness and visibility of CSOs' activities, promote volunteerism among people of all ages, and facilitate networking between Nicosia-based CSOs and those in other regions. During the Festival, more than 60 associations, foundations, platforms, initiatives and activists, including 10 bi-communal organisations, organised over 120 activities to meet the public and network with other CSOs. Bi-communal exchange visits were organised between Limassol and Famagusta CSOs with great interest on both parts.

A study visit on anti-trafficking was organised in Brussels and Amsterdam in August 2018 with the participation of one member from eight different CSOs. The study visit aimed at increasing the knowledge and experience about anti-trafficking and provided the participants with EU-level networking opportunities.

The pending 18 contracts awarded under the "Civil Society in Action IV and V" grant schemes were completed in 2018, while 8 new contracts were signed under the "Civil Society in Action VI". They are funding a variety of actions in the fields of environment, human rights, arts and sports to reinforce the CSOs' capacities as well as encourage citizens' engagement and cross-community exchanges.

A new call for proposals "Together Against Trafficking in Human Beings" was launched in June 2018 with a view to encourage an effective and coordinated response to all forms of trafficking in Human beings, prevent human trafficking and improve victims' access to rights.

4.2.4. Objective 4: Bringing the TCc closer to the EU

The management of "EU scholarships programme" was delegated to the British Council from the academic year 2014-15. The budget available under the 2018/19 call allowed funding for 171 scholarships for the 2018/2019 academic year. These scholarships support students during the first year of undergraduate studies, graduate students in their masters or doctoral programmes, and researchers and professionals in further developing their language and professional skills across EU Member States through language courses or internship programmes. The Scholarship Programme has ensured access to scholarships to more than 1 400 Turkish Cypriot students and professionals since 2007.

Continuity of this scheme is considered vital and increased efforts will be put on targeting the needs and gaps within the TCc. As part of the activities to manage the Scholarship Programme, the British Council organises every year the "Study in Europe" day to provide information to students about study possibilities in the EU. An online alumni network is being developed in the last years in order to enhance the contacts and professional relations between the Scholarship alumni. The British Council is continuously monitoring medium-term impact, for example the return rate of students to Cyprus and success in finding employment.

The high demand for information on the EU in the TCc continued in 2018. The EU Infopoint, which is managed together with the Representation of the European Commission in Cyprus, started functioning in early 2015 and is financed with a total budget of EUR 3 million for a 60-month period (with extension of the contract). It generated a high level of visibility for the EU, its policies and the Aid Programme. Until now, the EU Infopoint has covered more than 25 EU-related themes, including environment (water, energy, recycling, biodiversity), organic agriculture, health and safety at work, food safety, animal welfare, and animal health. It has also covered topics such as human rights, rights of people with disabilities, children’s rights, gender equality, LGBTQ rights, and consumers' rights.

In 2018, the EU Infopoint organised 50 events (34 in Nicosia and 16 outside of Nicosia), including Europe Day, European Week against Racism, European Youth Week & International Youth Day, European Night of Researchers, EU Anti-Trafficking Day, Mobility Week and Traffic Safety, and European SMEs Week. These events attracted over 5 144 participants, showing increased interest from the community (4 849 participants at 2017 events and 4 382 participants at 2016 events). The number of events with schools was increased to ensure wider outreach.

During 2018, 5 151 information products and 12 newsletters were distributed (in total since the opening of the Infopoint, 18 835 and 42 respectively). Also, 493 news articles and 45 TV spots appeared on the local media during 2018 (1 759 and 160,

respectively, since inception of the project). Traffic on the Facebook page "Abbilgi" confirmed the popularity of the activities (2 982 new "likes" in 2018, bringing the total number of "likes" since its opening to 13 998). By end 2018, the Facebook page had a reach of 291 829 posts.

The EU Infopoint supported also the promotion of all calls for proposals and other Aid Programme funded projects and events via Facebook posts/reminders, front-shop poster displays, hosting of events and project launches at its public space. It established strategic partnerships with other EU-funded projects and technical assistance projects as well as with relevant departments and CSOs.

4.2.5. Objectives 5-6: Preparing the Turkish Cypriot community to introduce and implement the acquis

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.

Assistance continued in 2018 in 17 main areas, or "sectors", of the *acquis*. In total, the number of events organised in 2018 was 207. TAIEX actions included *inter alia* expert missions, workshops, and study visits. TCc stakeholders demonstrated a significantly heightened awareness of *acquis* requirements in the majority of the active TAIEX sectors.

Support for trade across the Green Line (Regulation 866/2004) continued. The independent experts were involved in 2018 in carrying out the regular phytosanitary inspections of potatoes and citrus products, taking honey samples for analysis, and producing an updated list of vessels whose catch can be traded across the Green Line.

4.3. Financial execution (contracts and payments)

4.3.1. Contracting

The Commission signed legal commitments in 2018 amounting to EUR 56.2 million, which means that the substantial amount of accumulated funds that remained uncommitted under the Aid Programme has been brought under control.

4.3.2. Payments

Payments in 2018 were EUR 26.3 million (EUR 17.2 million in 2017).

4.4. Monitoring

The Commission has direct responsibility for implementation of most projects (direct management). The level of monitoring by Commission staff is very high, with constant contacts with contractors, "spot-check" visits as well as site meetings and steering committees meetings. The PMU/GST continued to support the Commission with the monitoring implementation of grant contracts/projects awarded to local communities for their development, to SMEs and rural enterprises, to CSOs, to schools and vocational education and training organisations, while also supporting grant beneficiaries in the application of EU rules for grant contract implementation, including for secondary procurement.

In addition, the Commission implements a number of contracts under indirect management mode. The implementing entities such as the UNDP, the EBRD, the

British Council, and Northern Ireland Co-operation Overseas (NI-CO) are pillar assessed and report to the Commission in accordance with the respective Framework Agreements. The Commission is closely involved in the day-to-day monitoring of these actions.

For TAIEX, regular monitoring includes Project Steering Group meetings to take stock, evaluate progress and continue planning. TAIEX logistics are monitored through the on-line TAIEX Management System.

4.5. Audit and controls

In 2017, the Internal Audit Service (IAS) carried out an audit on the financial management of the Structural Reform Support Service (SRSS), including the financial management of the Aid Programme. The objective of the audit encompassed, amongst others, the adequacy of the design and the effective implementation of the internal control system for financial management (legality and regularity and efficiency of the financial workflow). The IAS identified some weaknesses in the internal control environment put in place in the procurement procedures, which are being addressed through implementation of an action plan in response to IAS recommendations.

The following has been implemented as corrective measures: (i) prior to launching a procurement procedure under the Aid Programme, a need analysis is carried out on the basis of a new template designed for this purpose and the choice of procurement procedure is made on this basis; (ii) in parallel, proper follow-up tables have been developed to monitor the procurement pipelines, from the launch of the tendering procedure until the contract signature; and (iii) guidance notes have also been issued to clarify the prevailing rules.

4.6. Evaluation

Significant improvement in statistics within the TCc will be necessary to accompany the future *acquis* roll-out.

In November 2018, the SRSS concluded a contract for the implementation of the first Results Oriented Monitoring (ROM) exercise aiming at reviewing a minimum of 16 actions in terms of relevance, efficiency, effectiveness and sustainability. It will assist SRSS with respect to the monitoring of and reporting on EU funded projects under the Aid Programme. The ROM reviews will focus on service contracts and grant schemes and will cover both ongoing and recently closed contracts. The implementation of the ROM contract will continue for a period of two years.

4.7. Information, Publicity and Visibility

Overall, there were 330 visibility and communication actions in 2018, a large number of them organised in cooperation with the Representation of the European Commission in Cyprus. Some of the highlights in 2018 were: presentations on "State of the Union and 2018 priorities", Open Door Festival, sharing information on the work of the CSOs in various cities, Food Safety workshops on how the EU support strengthens food safety, and visits to the EU-funded WWTP in Morphou/Güzelyurt by highs school students. Europe Day was celebrated with 1 large-scale outdoor event in Nicosia and 2 outdoor classical music concerts by the bi-communal chamber orchestra in Lefka/Lefke and Templos/Zeytinlik, with more than 500 participants.

Many public events on the EU Scholarships for the TCc, including a student and alumni networking event in Nicosia, ensured extensive outreach. Completion

ceremonies of various Cultural Heritage projects, including St. Mary of the Armenians and St. Mary of Carmel Churches and Ravelin Land Gate, were held. The event at Koutsoventis/Güngör announcing the start of operation of the newly completed solid waste storage facility (phase 2) ensured extensive outreach about EU support in the TCc with regard to solid waste management. EU support in the area of Traffic Safety and Health and Safety at Work was also communicated during various trainings at schools.

Two major publications, namely "2008-2018: 10 Years Working Together For Our Common Heritage – The Technical Committee on Cultural Heritage in Cyprus", and the "Aid Programme for the Turkish Cypriot community Selected Stories", were published.

4.8. Consultations with the Government of the Republic of Cyprus

Meetings were held with representatives of the Government of the Republic of Cyprus, in particular when senior Commission officials visited the island. The Commission continues to rely on the Government's cooperation for verification of property rights, and also meets regularly with the Permanent Representation in Brussels.

5. CONCLUSIONS

The Commission continues to deliver assistance under the Aid Regulation to facilitate the reunification of Cyprus by encouraging the economic development of the TCc, through work under its six objectives. During 2018, assistance continued to focus on areas that present particular problems with future *acquis* compliance.

In view of the capacity constraints, limited human and financial resources and gaps in readiness for the future *acquis* roll-out, the sustainability of projects must be carefully considered. The track record of past assistance and the maturity of projects will be continuously reflected in future programming exercises. Efforts will keep focusing on bringing more impact in priority areas through fewer but larger actions.

The Commission stands ready to deploy resources, including under the Aid Programme, to support settlement negotiations under UN auspices as needed.