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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT AND THE COUNCIL**

**Annual Report 2006-2007 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**

## COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

### **Annual Report 2006-2007 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**

#### **1. INTRODUCTION**

On 26 April 2004, the Council at its meeting in Luxembourg noted the results of the simultaneous referenda in Cyprus on 24 April 2004 on the Annan Plan and stated the following:

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

Further to these conclusions, the Commission put forward on 7 July 2004<sup>1</sup>, a proposal for a Council Regulation on an instrument of financial support for encouraging the economic development of the Turkish Cypriot community. The financial statement which accompanied this proposal provided for €259 million to be committed for this programme over the period 2004-2006 under Heading 7 (Pre-accession strategy) of the Financial Perspective.

This led to Council Regulation (EC) No 389/2006 adopted on 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<sup>2</sup> (hereafter the "aid regulation").

The aid regulation provides in Article 10 that "*Each year the Commission shall send to the European Parliament and the Council a report on the implementation of Community assistance under this instrument. The report shall contain information on the actions financed during the year and on the findings of monitoring work, and shall give an assessment of the results achieved in the implementation of the assistance".*

This report, the first one, covers the period from 27 February 2006 to 28 February 2007. In line with the normal practice of reporting progress on financial assistance on an annual basis following the normal cycle of budget years, the next annual report will cover the period up until the end of December 2007. This first report covers in particular the following areas: 1) the programming of the financial assistance, 2) the

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<sup>1</sup> COM (2004) 465 final of 07 July 2004 as modified by COM (2004) 696 final of 21 October 2004

<sup>2</sup> OJ L65, 7.3.2006, p.5.

implementation mechanisms for this programme, 3) the first actions in terms of tendering and contracting, and 4) conclusions with an assessment of the challenges posed by this specific aid programme.

## **2. PROGRAMMING OF THE ASSISTANCE**

### **2.1. Context**

Following the adoption of the aid regulation in February 2006, the main focus of the Commission's activities during the reporting period was programming of the assistance with a view to make the necessary budgetary commitments before the end of 2006. The 2006 programming context has been characterised by the following elements:

#### *2.1.1. Delayed approval of the aid regulation*

The aid regulation was adopted by the Council some 20 months after the initial proposal by the Commission in July 2004. The delayed approval of the aid regulation implied that the budgetary commitments, initially conceived to be spread over three years, 2004, 2005 and 2006, had to be taken in one year only. In a multi-annual programming framework, lessons from previous years are taken into account to better define annual programming needs. This was here not possible and therefore a programme covering the whole amount of €259 million had to be developed and adopted in 2006 only. This aspect is particularly important also considering that under this aid programme the aid intensity is much higher than under previous financial assistance programmes for the Turkish Cypriot community.

The implication of this delay was that a series of preparatory activities planned already for 2004-2005 could not take place. In order to prepare the programme, the Commission had to rely on the limited budget of €2 million for feasibility studies made available under the 2003 Special Aid Package for the northern part of Cyprus<sup>3</sup>. Feasibility studies were carried out *inter alia* in the areas of solid waste, water and wastewater, energy, and rural development. A baseline study on the economic situation of the northern part of Cyprus was also carried out by the World Bank on behalf of the Commission to assist overall programme preparation.

The above mentioned studies provided an initial gap assessment of the situation with regards to the requirements of the *acquis* and identified priority projects to be carried out under the aid programme. In general terms these studies highlighted the high level of investments required to bring infrastructure and services in the northern part of Cyprus in line with the requirements of the *acquis communautaire*.

The studies also pointed to the need for further project preparation as regards development of detailed tender specifications. In general, there were no reliable socio-economic statistical data concerning the northern part of Cyprus.

The delay in carrying out preparatory activities will mean that for certain investment projects, contracting will take place very close to the contracting deadline at the end of 2009.

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<sup>3</sup>

Funded under Council Regulation (EC) No 555/2000 of 13 March 2000 on the implementation of operations in the framework of the pre-accession strategy for the Republic of Cyprus and the Republic of Malta

#### **2.1.2. *Uncertainties as regards overall amount of financial resources available***

In its conclusions of 26 April 2004, the Council recommended that the €259 million already earmarked for the northern part of Cyprus in the event of a settlement would be made available to meet the objectives of the aid regulation. To this effect, credits were earmarked in reserve pending adoption of the legal basis in an amount of €120 million in the 2005 Budget and of €139 million in the 2006 budget.

The late approval of the legal basis implied that credits earmarked for 2005 were no longer available. When the regulation was approved in February 2006, the only resources available were the €139 million. Initially programming was based on that allocation.

The Commission informed Member States that it would have been possible to reconstitute the € 259 million package by requesting an additional € 120 million under Heading 7 of the budget which had an available margin of €1.085,4 million.

An amending budget was adopted in October 2006. Once it became clear that the full, originally foreseen amount of €259 million would be available, programming was revised so that some projects were developed in two phases.

#### **2.1.3. *Consultations with the Government of the Republic of Cyprus***

In a statement inserted in the Council Minutes when the aid regulation was adopted, the Commission, taking into account the existing political situation in Cyprus as well as the aim of integrating and reunifying the island, declared its readiness to consult the Government of the Republic of Cyprus about the major aspects of the implementation of assistance under this Regulation.

Consultations meetings on the content of the programme were held with representatives from the Government of the Republic of Cyprus on 19 June and 9-11 October 2006 with particular attention to the issue of island wide planning. There were additional meetings and correspondence on other horizontal issues (in particular on Article 7(1) of the aid regulation on protection of property rights) in the period from March to October 2006.

#### **2.1.4. *Comitology***

Article 3 (3) of the aid regulation requires that the Phare Management Committee give its opinion on draft financing decisions, where they are in excess of €5 million and cover operational, rather than supporting, activities. The Phare Management Committee was consulted on two draft financing decisions falling under the requirements of the said article respectively at its meetings of 3 July and 20 October. On both occasions, voting took place. On 3 July, no opinion was delivered whereas on 20 October, the Committee issued a favourable opinion by qualified majority. In line with comitology rules, the Commission proceeded to adopt the financing decisions.

At the meeting on 3 July, Committee members asked the Commission to further consult with the Government of the Republic of Cyprus. Further contacts took place throughout the summer and autumn 2006 either through meetings or correspondence as indicated above at 2.1.3.

### **2.2. *Content of the programme***

The overall allocation of €259 million was committed by the Commission through the adoption of 5 financing decisions in the period from 23 June to 22 December

2006 (see list of financing decisions in annex I as well as annex 2 for a breakdown of the overall aid programme by project).

Out of the €259 million, €240,15 has been allocated to the operational part of the aid programme whereas the remainder €18,85 (i.e. 7.2% of the overall financial allocation) will be used to support the implementation of the aid programme by the Commission in line with the provisions of Article 4(3) of the aid regulation.

In designing the programme, the Commission based itself on the following:

- Objectives of the aid regulation;
- Discussions with the beneficiary community;
- Results of on-going projects;
- Findings of studies carried out in 2004-2006;
- Timescales available for the contracting (N+3).

#### *2.2.1. Financial assistance for operational projects*

Through three financing decisions, a programme was developed representing a balanced package of actions addressing the main needs of the Turkish Cypriot community and all the objectives of Council Regulation No 389/2006 (see Table 1 below for the overview of distribution of funding by priority objective).

Financial assistance under this aid regulation focuses on five priority objectives as follows:

##### ***Objective 1: Developing and restructuring of infrastructure (approx. € 129,25 million):***

Under this priority objective, the programme aims to redress the serious gaps in infrastructure provisions existing in the northern part of Cyprus in key sectors such as environment (and in particular water and sanitation, solid waste and nature protection), energy (with particular attention to supply and demand management issues), traffic safety and telecommunication. Following years of underinvestment and neglect, key infrastructure sectors are in need of rehabilitation and upgrading to meet the demands of the *acquis communautaire*.

Besides infrastructure investment, technical assistance for capacity building and policy reforms will be deployed to ensure long-term sustainability in terms of enhanced service provision. This priority is likely to be the most affected by the property situation. Certain flexibility has been built in the programme as regards the funding of reserve projects in case some cannot go ahead because of the need to respect property rights.

##### ***Objective 2: Promoting social and economic development (approx. €70.2 million):***

This priority covers a broad range of activities aiming to enhance long term economic sustainability of the Turkish Cypriot community as follows:

- Rural development and modernisation of the agricultural sector, including actions to sustain local population in rural areas through a more diversified local economic base and improvement of the socio-economic conditions and local services provision;
- Restoration of urban and local infrastructure in the three main towns of Nicosia, Kyrenia, Famagusta as well as in other minor urban centres and villages;

- Infrastructure work needed for the opening of new crossing points across the Green Line;
- Human resources development, supporting reforms in the education sector as well as strengthening vocational training in order to supply the skills needed by local companies through a variety of schemes;
- Actions to promote the competitiveness of the private sector *inter alia* through a loan scheme and direct support to small and medium sized enterprises (SMEs).

***Objective 3: Fostering reconciliation, confidence building measures, and support to civil society (approx. €13 million):***

Under this priority, the aid programme will fund activities:

- To strengthen civil society and to support reconciliation and confidence building measures (including support to the Committee of Missing Persons). The success of reconciliation and confidence building measures depends on improvement of the current political climate. Results in this field have been mixed in the past, however, level of trust between the two communities remains low and any hope of a solution relies on the rebuilding of this trust covering all sectors of the society;
- To continue de-mining in the buffer zone and adjacent areas. Special attention will continue to be given to the de-mining of future crossing points;
- To support joint work between the two communities in the field of history teaching in partnership with the Council of Europe building on preparatory work undertaken since 2004 with both communities.

***Objective 4: Bringing the Turkish Cypriot community closer to the European Union (approx. €9.5 million):***

This priority aims to lift isolation of the Turkish Cypriot community by facilitating contacts with the European Union through:

- a community scholarship scheme for students and teachers;
- grants for people-to-people contacts between the Turkish Cypriot community and counterparts organisations in the European Union;
- raising awareness of the European Union and its policies. An EU information point will be set up in the northern part of Cyprus.

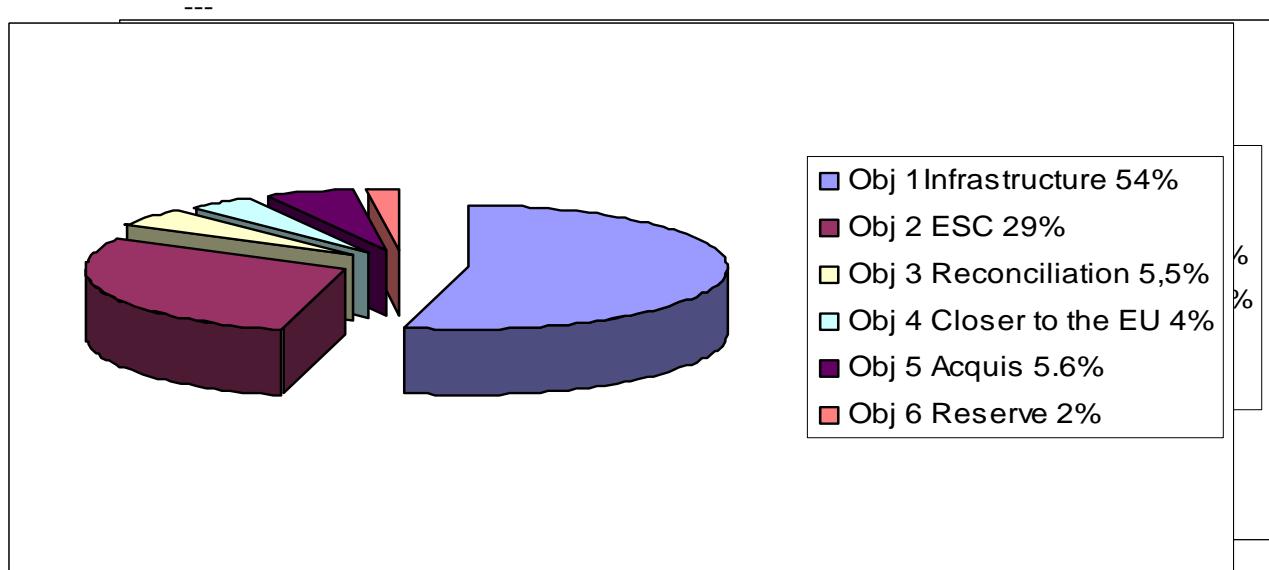
***Objective 5: Preparing the Turkish Cypriot community to introduce and implement the *acquis communautaire* (approx. €13.46 million):***

This priority will assist with the preparation of legal texts as well as reinforcement of the capacity to implement the *acquis* in view of the withdrawal of its suspension in accordance with Article 1 of Protocol N° 10 to the Act of Accession. The bulk of the activities under this priority objective will be carried out through the Technical Assistance Information Exchange Instrument (TAIEX). Small scale equipment/investments required for *acquis* harmonisation will be also be funded. Given the importance of protecting the environment in the northern part of Cyprus, a separate project to build capacity for environmental stewardship will also be supported.

***Unallocated Technical Assistance and Programme Reserve Facility (approx. 4.74 million, 2 %):***

The Programme Reserve component will provide some limited resources to respond to requests for new activities which may become needed once implementation starts and which may arise from changes in the political situation. This is particularly important considering that though the implementation of this aid programme would last over 5 years, funding was available only in 2006 for programming purposes.

**Table 1. Distribution of funding by priority objective**



## **2.2.2. *Financial assistance to cover administrative expenditure under Article 4(3) of the aid regulation***

According to Article 4(3) of the aid regulation, assistance can 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".

A total of €18,85 million has been earmarked to support the Commission in the implementation of the aid programme. Financial support for administrative expenditure will be mobilised *inter alia* for:

- (1) The formulation of sector strategies;
- (2) To review and/or to undertake feasibility studies for project preparation (including economic and financial analyses, detailed technical design specifications, legal assessments, preparation of tender documents for works, services, supplies and grant calls for proposals, etc.);
- (3) To provide expertise to assist in the procurement process and the implementation phase if required (including audits, monitoring, evaluations, etc.);
- (4) To recruit contract agents for the Commission Programme Team, to procure office management logistics (including renting of premises) and related supply of equipment for the purpose of establishing a programme support office within the beneficiary community.

## **2.3. *Contracting and execution deadlines***

Contracting deadlines were set in each of the five Commission Decisions taken in 2006 under this aid regulation. These are set between June and December 2009 in line with the provisions of Article 5 (1) of the aid regulation as regards duration of the contracting period. Execution goes up to December 2012 for the bulk of the programme. In the case of the project involving the setting up of a revolving credit scheme, the execution period goes up to December 2014.

## **3. *IMPLEMENTATION MECHANISMS***

According to Article 3 (1) of the aid regulation, the Commission is responsible for administering the assistance. Article 5 (2) of the aid regulation allows the Commission to entrust implementation of part or all of the aid programme to the European Agency for Reconstruction.

However, following the report from the Commission to the Council on the future of the Agency<sup>4</sup> proposing the closure of the Agency by end 2008, the option of using the Agency was no longer considered as suitable. Alternative arrangements would have had to be introduced at a critical moment in the implementation phase with the potential of delays and disruptions.

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<sup>4</sup>

COM (2005) 710 final of 23.12.2005

### *3.1.1. Centralised management by the Commission*

Implementation of this programme follows Article 53(a) of the Financial Regulation<sup>5</sup> (centralised management), with DG Enlargement of the European Commission acting as the Contracting Authority with the exceptions listed in section 3.1.2.

Procurement is carried out in line with the provisions of Part 2, Title IV (External actions) of the Financial Regulation and Chapter 3 of Part 2, Title III of its implementing rules<sup>6</sup> as well as the Commission Decisions C (2006)117 of 24 January 2006 and C(2007)2034 of 24 May 2007 on “Rules and procedures for services, supplies and works contracts financed from the General Budget of the European Communities for the purposes of co-operation with third countries”.

In order to implement the programme, a dedicated Programme Team composed of Commission officials and contract agents has been set up as part of the Turkish Cypriot community Task Force within DG Enlargement.

With a view to ensure cost-effective co-ordination with the beneficiary community in the preparation and implementation of the assistance, while also providing a venue for meetings and seminars, the Programme Team has been using the facilities of a Programme Support Office located in the northern part of Nicosia since September 2006. Office management, both premises and support staff such as secretaries and drivers, is provided by a private contractor - GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit). As an integral part of the Programme Team, a TAIEX Local Support Point aimed at co-ordinating visits by Member States experts was also established.

During the reporting period, the Programme Team has gradually been built up. At the end of February 2007, the Programme Team comprised of 20 staff including 2 statutory Commission officials, 8 contract agents and 10 staff provided by the private contractor for administrative and logistical support. Recruitment was under way for additional contract agent positions in order to complete the team by end 2007.

### *3.1.2. Joint management*

Activities in the field of upgrading of local and urban infrastructure and support to the private sector (for a total of €17.5 million) will be jointly managed with the United Nations Development Programme (UNDP), in accordance with Article 53 (d) of the Financial Regulation. The Commission will capitalise on the expertise and knowledge developed by UNDP – Partnership for the Future in the period 2001-2004 when UNDP delivered EU assistance to the Turkish Cypriot community.

### *3.1.3. Indirect centralised management*

Implementation of activities delivered by TAIEX (€9.5 million) will be carried out according to indirect centralised management procedure stated in Article 54.2(c) and 56 of the Financial Regulation (indirect centralized management). An Agreement is currently concluded with GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) until 20.06.2008 for the whole of the TAIEX programme.

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<sup>5</sup> Council Regulation (EC, Euratom) 1605/2002 of 25 June 2002; OJ L 248; 16.9.2002, p.1. Regulation as last amended by Council Regulation (EC, Euratom) 1995/2006 of 13 December 2006, OJ L 390, 30.12.2006, p.1.

<sup>6</sup> Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 (OJ L 537; 31.12.2002; p.1). Regulation as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.04.2007, p.13).

### **3.1.4. Award of grants without a call for proposal**

Provision is made in the programme for the award of a number of grants without a call for proposals respectively to UNDP (De-mining assistance programme and Support to the Committee of Missing Persons Campaign) for a total of €5.5 million) and the Council of Europe (History Teaching Project and the Academy of Political Studies Project) for a total of €1.6 million. Direct award is justified on the basis of Article 168 (1)(c) given the *de facto* monopoly of these organisations in these sectors.

## **4. ACTIONS FINANCED DURING THE REPORTING PERIOD**

### **4.1. Activities**

Most of the financing decisions under the aid programme were taken by the Commission during Autumn 2006. Activities during the reporting period focused on the setting up of the Programme Team and the TAIEX Local Support Point as well as of tailor-made systems and procedures. Grant agreements were also signed with UNDP in the field of private sector development and urban and local infrastructure in December 2006. It was important to ensure continuity of UNDP activities in favour of the Turkish Cypriot community as previous grant agreements with UNDP in these sectors expired in November 2006. The Project Steering Committee involving UNDP and the Commission met in January 2007 to decide on the specific activities to be undertaken.

During the reporting period, activities on the preparation of a solid waste management plan for the Turkish Cypriot community also started. This plan is an important prerequisite for the launch of works tender foreseen under the Solid Waste Management Sector Programme.

Annex 3 presents the list of contracts signed by the Commission during the reporting period.

Contract forecasts and procurement notices were also launched, including the first call for proposal for the community scholarship scheme for the academic year 2007/2008 which was published in January 2007. Many of the tenders launched were for consultancy activities to prepare works tenders. Detailed project preparation for works could not be carried out earlier because of the limited amount of funding previously available.

### **4.2. TAIEX**

Since 2004 TAIEX has delivered technical assistance to the Turkish Cypriot community under previous funding arrangements. During the reporting period, funds under the aid programme were used in the main for the setting up of the TAIEX Local Support Point. Other activities were still financed by funds from previous funding programmes.

### **4.3. Information and Publicity**

During the reporting period, the emphasis in terms of publicity activities was on raising awareness amongst the beneficiary community of the projects to be funded under the aid regulation. Between November and December 2006, information to the beneficiary community was provided through kick-off seminars delivered by DG Enlargement to various stakeholder groups, including the leadership of the Turkish Cypriot community, local communities, representatives from the education and

agriculture sector, private sector and civil society. Press conferences were held for both the Turkish Cypriot and Greek Cypriot press respectively in November 2006 and January 2007. A leaflet was produced and distributed to potential beneficiaries and the wider public.

Additionally, the DG Enlargement website is used to publicise the aid programme. The website includes the text of the aid regulation, and of Commission Financing Decisions and related documents. There are also links to other websites dealing with tendering for contracts to be financed under the aid regulation.

#### **4.4. Financial execution (contracting and disbursement)**

At the end of the reporting period, a total of €14.5 million was contracted. Of this amount, around €13.2 million was contracted under the operational part of the aid programme and €1.3 million for supporting activities.

As regards disbursement, the Commission disbursed to its contractors a sum of around €4.25 million during the reporting period. Of this amount, around €3.7 million were contracted under the operational part of the aid programme and €50,000 for supporting activities. Additionally, the Commission spent around €400,000 for staff and mission costs.

### **5. CONCLUSIONS**

Most of the activities during the reporting period focused on:

- (1) the programming of the assistance: all financing decisions were adopted in 2006;
- (2) in the setting up of the implementation mechanism: the programme team was built up; and the Programme Support Office and TAIEX Local Support Point became operational in September 2006, less than seven months after the adoption of the aid regulation;
- (3) ensuring continuity with previous EU funded activities to the benefit of the Turkish Cypriot community: activities previously carried out by UNDP could be seamlessly continued through the signing of grant agreements between the Commission and UNDP in December 2006.

The legal, diplomatic and political context within which the Commission is operating is unique. This context poses a number of challenges and risks to the successful implementation of this aid regulation:

- (1) Tight contracting deadlines and squeezing of the programme duration: as indicated before, the commitment of the funds available for this programme was squeezed by the late adoption of the legal basis. The consequences of the overall reduction of the duration of the implementation are the following:
  - (a) Preparatory activities planned in the early part of the programme could not take place. Contracting of large scale infrastructure investments within three years will prove very challenging due to the lack of previous project preparation;
  - (b) Activities planned to be carried out on annual basis can only take place for three consecutive years (2007-2009) rather than the originally planned five (2005-2009). For instance the community scholarship scheme will be implemented only for three academic

years. No funding is available at present for funding such a scheme after the 2009/10 academic year. The same applies to all grant schemes foreseen under the aid programme, e.g. for farmers, local communities, civil society organisations, etc. The last call for proposal for these grant schemes will be issued in the first half of 2009.

- (2) Property issue: it is estimated that 78% of privately owned land in the northern part of Cyprus belongs to Greek Cypriots. Location of many of the planned infrastructure investments still has to be determined. However given the amount of property owned by Greek Cypriot private owners, it is likely that many investments would be able to proceed only if these owners give their consent. Reserve projects will be prepared in order to mitigate the risks of some projects not being able to go ahead because of lack of consent by the owners. The need to obtain consent will also require additional time within an already very tight implementation timescale.
- (3) Low absorption capacity by beneficiary community: though needs are great, the Turkish Cypriot community is small and not well equipped in terms of structures to receive such large amount of resources in such a short amount of time. The overall impact in terms of economic and social development risks to be diminished by the implementation of the programme over a shorter period of time.
- (4) Staffing of the Commission Programme Team: due to the current staff rules relating to maximum duration of contracts for contract agents, a major staff turnover in the Programme Team will take place in 2009 close to the contracting deadline.
- (5) Co-operation between the Turkish Cypriot and Greek Cypriot community: the overall success of the programme in reaching the overall objective of facilitating the reunification of Cyprus depends greatly on the successful co-operation between the two communities in the island. Political issues not directly related to the aid programme *per se* but rather to the overall political context on the island might induce both communities to block implementation of certain parts of the programme. In this sense, implementation would be greatly facilitated by progress on the reunification process under UN auspices.

## 6. ANNEXES

### 6.1. Annex 1: List of Commission Decisions taken under the Aid Regulation

	<i>Title and date of the Decision</i>	<i>Amount in €m</i>
1	COMMISSION DECISION C/2006/2336/3 Of 23/06/06 establishing a technical assistance facility to support the implementation of the instrument of financial support to encourage the economic development of the Turkish Cypriot community	4.00
2	COMMISSION DECISION C/2006/2335/4 of 26/06/2006 establishing a programme of assistance provided by the Technical Assistance Information Exchange Instrument (TAIEX) for the Turkish Cypriot community	4.50
3	COMMISSION DECISION C/2006/5000 of 2006 of 27/10/2006 establishing a financial assistance programme to encourage the economic development of the Turkish Cypriot community – Part I	38.10
4	COMMISSION DECISION C/2006/6533 of 15/12/2006 establishing a financial assistance programme to encourage the economic development of the Turkish Cypriot community – Part II	197.55
5	COMMISSION DECISION C/2006/7035 of 22/12/2006 establishing a technical assistance facility to support the implementation of the instrument of financial support to encourage the economic development of the Turkish Cypriot community – Part II	14.65
		258.800*

\* This is the total amount on the 2006 budget line 22.02.11(2007 budget line 22.020703). The balance is constituted by 200,000 euro on a budget line relating to administrative expenditure for TAIEX in 2006 for implementation of the TAIEX assistance for the Turkish Cypriot community.

## 6.2. Annex 2: Breakdown of individual projects

Objectives and projects	Costs (€)
<b>Objective 1: Developing and restructuring of infrastructure (49.9%)</b>	
<b>Sub-Objective 1 – Protecting the environment</b>	
Project 1.1. – Sector programme for upgrading the quality and management of water supply and sanitation services	71 400 000
Project 1.2 – Support to the Turkish Cypriot community as regards management and protection of potential Natura 2000 sites in the northern part of Cyprus	5 000 000
Project 1.3 Solid waste sector programme for the Turkish Cypriot community	21 200 000
Project 1.4 Feasibility study for the rehabilitation of the Lefke mining area	900 000
<b>Sub-Objective 2 – Improving management of the energy sector</b>	
Project 1.5 Upgrading the management of the energy sector	5 000 000
Project 1.6. Development and restructuring of the energy infrastructure – Part II	8 750 000
<b>Sub-Objective 3 - Improving traffic safety</b>	
Project 1.7. Improving traffic safety	3 000 000
<b>Sub-Objective 4 – Telecommunications</b>	
Project 1.8 Development and restructuring of telecommunications infrastructure	14 000 000
	<b>Sub-Total</b>
	<b>129 250 000</b>
<b>Objective 2: Promoting social and economic development (27.1%)</b>	
Project 2.1 Rural Development Sector Programme	29 700 000
Project 2.2 Upgrading of local and urban infrastructure	7 000 000
Project 2.3 Upgrading of local and urban infrastructure – Part II	8 000 000
Project 2.4 Human Resources Development Sector Programme	8 000 000
Project 2.5 Micro and Small Enterprises Loan programme	9 000 000
Project 2.6 Sustainable economic development sector programme	6 000 000
Project 2.7 Supporting private sector development within the Turkish Cypriot community	2 500 000
	<b>Sub-total</b>
	<b>70 200 000</b>
<b>Objective 3: Fostering reconciliation, confidence building measures and support to civil society (5%)</b>	
Project 3.1 Reconciliation, confidence building measures and support to civil society	8 000 000
Project 3.2 De-mining assistance programme	4 000 000
Project 3.3 Support to the development of new trends in history teaching for reconciliation and stability in Cyprus	1 000 000
	<b>Sub-total</b>
	<b>13 000 000</b>
<b>Objective 4: Bringing the Turkish Cypriot community closer to the European Union (3.7%)</b>	
Project 4.1 Community scholarship programme	5 000 000
Project 4.2 Promotion of youth exchanges and other people-to-people contacts	3 000 000
Project 4.3 Information on the European Union political and legal order	1 500 000
	<b>Sub-total</b>
	<b>9 500 000</b>
<b>Objective 5: Preparing the Turkish Cypriot community to introduce and implement the <i>acquis communautaire</i> (5.2%)</b>	
Project 5.1 Technical Assistance to support legal transposition as well as implementation of the <i>acquis</i> through the TAIEX instrument – Part II ( <i>Component A – Assistance through TAIEX</i> ; <i>Component B – small scale equipment facility</i> )+ Part I	6 500 000
Project 5.2 Capacity building in the environment sector	4 500 000
	<b>Sub-total</b>
	<b>13 460 000</b>
<b>Objective 6: Unallocated Technical Assistance and Programme Reserve Facility (1.8%)</b>	
Project 6.1 Unallocated Technical Assistance and Programme Reserve Facility	4 740 000
	<b>Sub-total</b>
	<b>4 740 000</b>
<b>Total</b>	<b>240 150 000</b>
<b>+ Overall technical assistance for the implementation of the programme (7.2%)</b>	<b>18 850 000</b>
<b>Overall total</b>	<b>259 000 000</b>

**6.3. Annex 3: Contracts signed during the reporting period**

<b>Contract number (CRIS)</b>	<b>Contract Title</b>	<b>Contractor</b>	<b>Signature</b>	<b>Amount (€)</b>
2006/124-237	Addendum to TAIEX 2005 agreement with GTZ for the purpose of setting up a TAIEX Local Liaison Point in the northern part of Cyprus	Deutsche Gesellschaft für Technische Zusammenarbeit - GTZ GMBH (Germany)	18/07/2006	506.836
2006/124-397	Setting up of a Programme Support Office in the northern part of Cyprus	Deutsche Gesellschaft für Technische Zusammenarbeit - GTZ GMBH (Germany)	25/07/2006	1.324.257
2006/127-273	Addendum to TAIEX 2005 agreement with GTZ for carrying out technical assistance to the Turkish Cypriot community	Deutsche Gesellschaft für Technische Zusammenarbeit - GTZ GMBH (Germany)	08/11/2006	2.993.164
2006/129-343	Private Sector Development Programme in the northern part of Cyprus	United Nations Development Programme - UNDP	26/12/2006	2.500.000
2006/129-353	Upgrading of local and urban infrastructure	United Nations Development Programme - UNDP	26/12/2006	7.000.000
2006/131-199	Solid Waste Management Plan for the Turkish Cypriot Community	AGRECO	23/02/2007	199.850
<b>TOTAL</b>				<b>14.524.107</b>

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