



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 12 July 2012

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“I/A” ITEM NOTE

from: Ad hoc Working Party on the follow-up to the Council conclusions on Cyprus of 26 April 2004

to: COREPER/COUNCIL

Subject: Special Report No 6/2012 by the Court of Auditors: "European Union assistance to the Turkish Cypriot community"

- Council conclusions

In accordance with the arrangements defined in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors¹, the Permanent Representatives' Committee has instructed the Ad hoc Working Party on the follow-up to the Council conclusions on Cyprus of 26 April 2004² to examine the above report by the Court of Auditors (doc. 10707/12).

At its meeting on 10 July 2012, the Ad hoc Working Party reached agreement on the text of draft Council conclusions on this subject.

It is therefore suggested to the Council, subject to confirmation by the Permanent Representatives' Committee, to adopt the draft conclusions as attached.

¹ See 7515/00 + COR 1.

² See 10708/12.

Draft Council conclusions on Special Report 6/2012 by the Court of Auditors: "European Union assistance to the Turkish Cypriot community"

1. The Council thanks the Court of Auditors for its Special Report No 6/2012 and takes good note of the conclusions and recommendations therein. The Council notes that the objective of the audit was to assess whether the Commission was managing effectively the instrument for financial support to the Turkish Cypriot community in those areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control. More specifically the Court focused on whether the Commission drew up an assistance programme which reflected the instrument's objectives and put in place appropriate implementing arrangements, and whether the individual projects were achieving their intended results. The Council takes note that the audit did not seek to assess whether the programme was contributing to the instrument's political objective of reunification.
2. The Council welcomes the conclusion of the Court that despite the difficult political context and a compressed timetable, the Commission managed to establish a programme which reflected the Regulation's objectives, and it was also able to quickly set up a programme management office and introduce suitable implementing mechanisms. The Council also notes positively that the programme has assisted a great number of different beneficiaries and some important results have been achieved.
3. At the same time, the Council takes note of the areas identified by the Court where further progress is needed. The Court concluded that the main weakness resulted from the programme support office not operating under more devolved procedures and from the staff contracts being too short for them to manage the projects financed from start to finish. Furthermore, the Council notes that the planned construction of a seawater desalination plant, the programme's largest project, could not be implemented, representing a significant setback for the programme. More generally, the Council notes that the sustainability of projects was often in doubt, due, inter alia, to the limited capacity of beneficiaries, as described in Article 1(2) of Regulation 389/2006 of 27 February 2006.

4. Taking into account Council Regulation (EC) No 389/2006, the Council takes good note of the Court's specific recommendations to the Commission in the current situation, where a settlement for the reunification of Cyprus has not been reached. These recommendations include putting in place a mechanism with a multi-annual perspective as a way of ensuring better planning, implementation and sustainability, appropriate flexibility in the length of employment of Task Force staff, the definition of future contribution agreements with partner organisations, notably the UNDP, the development of formal procedures to ensure better coordination between the EC Representation in Nicosia and the Task Force, and the prioritisation of preparing a new project to address the major issue of limited water supply.

5. The Council notes the Court's conclusion that uncertainty of funding for the EU assistance programme has a negative impact on its effectiveness and sustainability. The Council thanks the Commission for its reply attached to the Special Report No 6/2012 and takes good note of the explanations given in response to the specific remarks and conclusions of the Court. The Council welcomes in particular that measures have been taken and improvements have been made to facilitate operations, including some streamlining since the audit was carried out, and encourages the Commission to consider measures for the further improvement of the management and results of the assistance.
