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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

**Annual Report 2024: Nineteenth annual report on the implementation of the EU
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 389/2006¹ (the ‘Aid Regulation’) is the basis for providing assistance to the Turkish Cypriot community and requires annual reporting to the European Parliament and the Council. The aid programme for the Turkish Cypriot community aims to facilitate the reunification of Cyprus by encouraging the economic development of this community, with a particular emphasis on the economic integration of the island, improving contacts and building bridges between the two communities and with the EU, and preparation for implementing the EU *acquis*, following a solution to the Cyprus problem.

2. PROGRAMMING OF THE ASSISTANCE

Between 2006 and the end of 2024, EUR 726 949 162.93 was programmed for operations under the Aid Regulation. The amount committed in September 2024 for the 2024 annual action programme was EUR 39 471 756.30². The 2021-2027 multiannual financial framework, with a total budget of EUR 240 million, has provided a multiannual perspective to the programme with a provision for stable, annual funding. The aid programme is, however, of an exceptional and transitional nature, aiming to prepare and facilitate, as appropriate, the full application of the *acquis* in the areas of the Republic of Cyprus in which the government of the Republic of Cyprus does not exercise effective control following a solution to the Cyprus problem.

Both the Aid Regulation and Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework³ have provided for a revision in the event 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 (the ‘non-government-controlled areas’) and where the application of the *acquis* is temporarily

¹ 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 (OJ L 65, 7.3.2006, p. 5).

² Commission Implementing Decision of 3 September 2024 on adopting an Action Programme for the Turkish Cypriot community for the year 2024 - C(2024) 6106 - [Aid Programme decision 2024 - European Commission](#).

³ Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027 (OJ L 433I, 22.12.2020, p. 11).

suspended pursuant to Protocol No 10 of the Act of Accession. Assistance is implemented in direct and indirect management.

The Commission operates in a unique political, legal and diplomatic context. The granting of assistance under the Aid Regulation does not imply recognition of any authority in the areas other than the government of the Republic of Cyprus. Ad hoc arrangements are needed to implement the programme while respecting the principles of sound financial management. Measures adopted include intensive monitoring of contracts and providing 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.

With a view to the reunification, following the withdrawal of the suspension of its application in accordance with Protocol 10, upon the entry into force of a comprehensive settlement, and to facilitate the implementation of the projects financed through the aid programme, the Turkish Cypriot community must progressively align with the *acquis*.

The Commission implements the projects selected through the EU Programme Support Office in the non-government-controlled areas in Nicosia. The Commission Representation in Cyprus also hosts meetings, seminars and press conferences and communicates with the Cypriot public throughout the island on topics including the aid programme. In addition, the EU Infopoint, funded under the aid programme, carries out a range of communication and visibility activities, providing information about EU policies, priorities and action in support of the Turkish Cypriot community 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. In the event of a comprehensive settlement of the Cyprus problem, the Council will, on the basis of a proposal from the Commission, decide unanimously on the necessary adaptations to the Regulation.

Support in 2024 focused on continuing flagship initiatives, such as the EU scholarships programme and confidence-building measures in support of the Technical Committee on Cultural Heritage, the Committee on Missing Persons, initiatives of the bi-communal Technical Committees, as well as encouraging and enabling trade across the Green Line.

Support to the economic development of the community remains an essential feature of the programme. Assistance was provided to upgrade standards in key economic sectors through projects targeting the private sector and food business operators. Significant efforts were made to improve animal health and food safety in the Turkish Cypriot community.

The Commission continued to provide support to the Turkish Cypriot community to reach the EU standards set by the package of two measures adopted by the Commission in 2021, registering ‘Χαλλούμι’ ‘Halloumi’/‘Hellim’ as a protected designation of origin (PDO) and laying down the conditions for the movement of this product over the Green Line. The Commission also continued to convene the informal working

group on ‘Halloumi’/‘Hellim’, bringing together stakeholders from both Cypriot communities.

Significant EU-funded infrastructures were completed in 2024, including Nicosia’s sewage pipeline replacement, water systems installations, youth sports facilities, and renewable energy systems. The Famagusta sewerage network was completed without defects, and a study for a first bi-communal solar plant was shared. The Commission continued to support the environmental sectors by addressing topics of island-wide importance such as the circular economy and air quality.

There are still considerable gaps in beneficiaries’ capacity to effectively implement the *acquis* upon the entry into force of a comprehensive settlement. However, the Turkish Cypriot community continued to make good progress in a number of areas, such as product safety, anti-money laundering, education, statistics and environment, and showed continuous interest to work in additional sectors and areas.

At the end of the year, 98 contracts were running under the aid 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 Turkish Cypriot community, 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 2024 are described below, for each objective of the Aid Regulation.

4.2.1. Objective 1: Promoting social and economic development

Through the aid programme, the Commission continued to steer and promote economic integration and development by providing assistance packages to small and medium-sized enterprises (SMEs) in the Turkish Cypriot community, with the aim of increasing competitiveness and innovation. Given that SMEs constitute the backbone of the economic activity in the Turkish Cypriot community, a new multiannual assistance programme ‘eunite: SME’ was launched in 2024 to help Turkish Cypriot SMEs to meet EU standards, support innovation and encourage entrepreneurship. In 2024, 45 companies trading or interested in trading across the Green Line were awarded grants worth nearly EUR 2 million. This is in addition to more than 2 554 grants provided to small and medium-sized businesses in previous years, bringing the total value of grants to SMEs since the start of the aid programme to more than EUR 27 million.

In the area of economic convergence, the cooperation with the World Bank on macroeconomic monitoring, statistics, facilitation of trade and improving the Turkish Cypriot community business environment continued in 2024. Three key assessments, namely the ‘Distributional Impact of Fiscal Policy in the Turkish Cypriot community’, ‘Estimation of an absolute poverty line for the Turkish Cypriot economy’ and ‘Living Standards Assessment for the Turkish Cypriot community’, were completed and the findings discussed among the relevant stakeholders. They highlighted significant challenges and opportunities for the Turkish Cypriot economy and helped improve evidence-based policymaking. The technical assistance project on market surveillance launched in March 2022 continued in 2024. It aims to introduce new and improved practices in metrology, standardisation, accreditation, and conformity assessment. Working closely with the private sector, the project contributed to improving the

business environment in the Turkish Cypriot community and to ensuring that locally produced goods comply with EU standards. Further cooperation in this sector was established with experts from the TAIEX (technical assistance and information exchange) EU instrument supporting the uptake of EU aligned standards.

In the context of the implementation of EU's PDO scheme for 'Χαλλούμι' 'Halloumi'/'Hellim' in the Turkish Cypriot community, EU-funded technical assistance continued to provide support to farmers, food factories and local bodies to meet the EU PDO scheme requirements. As a result, by the end of 2024, four 'Halloumi'/'Hellim' cheese producers and 24 farms in the Turkish Cypriot community were certified under the PDO scheme. In addition, preparations were launched for a pilot sheep and goat breeding programme to increase the availability and quality of milk. Support also included assistance in preventing, detecting and further eliminating animal diseases and managing animal health as per EU standards. In 2024, grants amounting to EUR 2.6 million were provided to 21 farms and three dairies to help them meet EU standards in production processes and increase production capacity. The technical support provided by the EU was accompanied by meetings of the bi-communal EU Informal Working Group on 'Halloumi'/'Hellim'.

The support to farmers and food business operators forms part of a wider EU support to improve rural livelihoods and development in the Turkish Cypriot community, because of its economic and social importance. A new multiannual initiative 'eunite: AgriBusiness' was launched in 2024, aiming to (i) strengthen agricultural know-how in the Turkish Cypriot community following the approach of the EU Agricultural Knowledge and Innovation Systems (AKIS), (ii) enhance farm advisory services, and (iii) boost innovation and sustainable growth of agricultural and rural environments.

The Commission maintained its support in the area of education, with a specific focus on vocational education and training, lifelong learning and professional development of teachers in the Turkish Cypriot community. Curriculum packages for 29 occupations were developed and piloted in nine schools, and focus groups and interviews were conducted with 114 teachers and 88 students. Guidebooks in cross-cutting areas such as health and safety, entrepreneurship, environmental protection and foreign language in occupations were developed and distributed to schools. A training needs assessment for teachers' professional development was carried out in all schools in the Turkish Cypriot community. This identified four main themes (effective teaching and learning, school leadership, inclusive education and safe schools and crisis management). For each of these, a committee was established, which then developed relevant training modules.

In 2024, the Commission continued to provide support for boosting trade across the Green Line. New types of processed food and materials that come in contact with food were successfully traded across the Green Line and placed on the EU market. The business community showed a high level of interest in increasing compliance with EU standards. This was demonstrated by multiple inquiries addressed to Cyprus's EU One Stop Shop, which provides knowledge, support and networking opportunities to businesses and traders interested or engaged in Green Line trade. Since the start of the initiative in 2023, the EU One Stop Shop has provided tailor-made support to 85 traders.

4.2.2. Objective 2: Developing and restructuring of infrastructure

The United Nations Development Programme (UNDP) continued to implement the EU's Local Infrastructure Facility through ongoing contribution agreements signed

with the Commission for a total of EUR 36.7 million. The facility provides support for preparing and implementing relevant local infrastructure investments. This included replacing the ‘Trunk E’ sewage pipeline in the Nicosia urban area, installing water tanks and automatic pumping systems in Lefka/Lefke, providing sports facilities and equipment in four schools, and deploying photovoltaic solar power systems in Lefka/Lefke and at the Kormakitis Centre for Cooperation.

The remedial works of the Famagusta sewerage network were successfully completed and no relevant defects were notified by the end of the notification period for the works in December 2024. In addition, a pre-feasibility study for a bi-communal solar power plant in the buffer zone was produced and presented to the Cypriot communities in February 2024.

Structural challenges linked to the operation of the landfill in the Turkish Cypriot community continued in 2024. Previously flagged deficiencies linked to a poor operation and management of the landfill facility were unfortunately not addressed in 2024. The Commission remains committed to supporting the beneficiary to rectify the situation, provided that appropriate strategic decisions on its management are made.

To improve and protect the environment, the Commission continued delivering capacity building activities to the Cypriot communities. In 2024 several training courses and workshops were provided to hundreds of environmental professionals in the fields of environmental management systems, data analytics for environmental management, air quality, circular economy or forest management, among others. In addition, the Cyprus Environment Symposium in December 2024 brought together environmental leaders from both communities for three days to discuss common problems and solutions to environmental challenges.

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

The Committee on Missing Persons, which receives support via a contribution agreement with the UNDP, continued its field and laboratory work. By the end of 2024, of the total of 2 002 missing persons, it had exhumed 1 186 sets of remains. Of these, 1 051 were identified genetically and returned to their families.

In 2024, a new EUR 2.6 million contribution agreement was signed to provide funding for the Committee’s operations in 2025. From 2006-2024, the EU has contributed a total of EUR 41.1 million to support the activities of the Committee on Missing Persons, accounting for 80% of its total funding for this period.

Protecting cultural heritage remained a key component of the reconciliation and confidence-building measures supported under the aid programme, in close cooperation with the bi-communal Technical Committee on Cultural Heritage. In 2006-2024 the cultural heritage programme has received total EU funding of approximately EUR 30 million. This has enabled 178 cultural heritage sites across the island to be conserved, structurally supported, physically protected or restored.

The EU scholarship scheme for Cypriot youth with the United World Colleges gave nine Greek Cypriot and nine Turkish Cypriot scholars the opportunity to study at the United World Colleges. Since the scheme’s establishment, 64 outstanding young Turkish Cypriots and Greek Cypriots have completed a two-year International Baccalaureate course at one of the United World Colleges, which aim to unite people for peace and a sustainable future. The scheme also promoted cross-community youth

engagement activities and short courses aimed at empowering young people to bring about positive change in their societies.

Support for civil society continued in 2024. The Civic Space project, which provides technical assistance for civil society organisations, continued to help them build their capacities, promote an enabling environment for the development of civil society, and stimulate networking and joint actions with Greek Cypriot and other EU civil society organisations.

Civil society organisations successfully completed projects concerning the rights of patients, employees, sexual minorities and international students, environmental protection, youth development and the role of mass-media in the peace building process. A new grant contract worth EUR 1.7 million was signed for supporting the activity of the Cyprus Dialogue Forum, which brings together parties, trade unions, business/professional/employer associations and civil society organisations from both communities to create joint visions and instruments that support the settlement process. A new call for proposals in the amount of EUR 2.25 million was launched with the objective of financing actions of civil society organisations especially in the areas of human rights, environment and bi-communal confidence-building.

The Human Rights Platform association continued to successfully implement its EU-funded direct grant receiving additional funding in 2024. The main activities focused on thematic areas with gender equality dimension, such as anti-human trafficking, refugee rights and LGBTI+ rights.

4.2.4. *Objective 4: Bringing the Turkish Cypriot community closer to the EU*

Since 2022, the Commission has been partnering with the Goethe-Institut to implement the EU Scholarship Programme.

To bring the Turkish Cypriot community closer to the EU, 126 scholarship grants have been awarded to Turkish Cypriot students during the academic year 2023/2024 to attend universities in EU countries. An alumni strategy was developed that enables alumni to network, engage and leverage skills and opportunities through various events.

Since 2007, more than 2 275 scholarships have been awarded to students, covering more than 100 universities and 23 EU countries. These scholarships support students during their first year of undergraduate studies, graduate students in their master's or doctoral programmes, and researchers and professionals in further developing their language and professional skills across EU Member States.

The EU Infopoint is managed by the EU Programme Support Office together with the Commission Representation in Cyprus. In 2024, through its activities both online and offline, it achieved a high level of visibility and increased awareness of the aid programme's impact and the EU's role in the settlement process. The EU Infopoint and other EU-funded projects organised more than 350 communication and visibility activities in 2024, including Europe Day celebrations which gathered around 5 000 participants. During this period, the Commission produced 37 factsheets, booklets and audio-visual materials.

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

The TAIEX instrument is used to implement objectives 5 and 6 of the Aid Regulation. It helps prepare the Turkish Cypriot community for implementing the *acquis* in view

of the withdrawal of the suspension of its application upon the entry into force of a comprehensive settlement.

The TAIEX instrument remains an important tool for achieving the aid programme's objectives and to support trade across the Green Line. TAIEX activities were carried in 13 sectors of the EU *acquis*, to bring the Turkish Cypriot community closer to EU standards and procedures. In total 110 expert missions were organised and one workshop. In addition, efforts to build up a database of all legal texts drafted with TAIEX support and to ensure a high quality of translation and interpretation in the Turkish Cypriot community continued.

Support for trade across the Green Line (Council Regulation (EC) No 866/2004) remained the most active and resource-intensive area of TAIEX activities. Commission-mandated independent experts carried out regular phytosanitary inspections of fresh fruit and vegetables, plant products, potatoes, honey and fishing vessels to ensure that EU standards for traded food products were met. In April 2024, the Ministry of Health of the Republic of Cyprus issued a circular permitting trade across the Green Line in six further categories of processed food, namely coffee, lemonade, frozen vegetables, frozen potatoes, foods pickled in vinegar and dried jute leaves. TAIEX experts ensured EU-level standards and quality through compliance checks of the facilities in the non-government-controlled areas.

4.3. Financial execution (contracts and payments)

4.3.1. Contracting

In 2024, the Commission signed legal commitments amounting to EUR 37.5 million.

4.3.2. Payments

Payments in 2024 totalled EUR 40.4 million (EUR 37.3 million in 2023).

4.4. Monitoring

The Commission is directly responsible for implementing most projects (direct management). The level of monitoring by Commission staff is very high, with constant contacts with contractors, spot-check visits, site meetings and steering committee meetings, as well as increased cooperation with local coordinators of EU funding. The grant support team continued to provide technical assistance to support the Commission in monitoring the implementation of grant contracts, while also assisting grant beneficiaries in applying EU rules on implementing grant contracts, including secondary procurement rules.

The Commission also implements a number of contracts through indirect management. The implementing bodies, such as the UNDP, the World Bank, the Goethe-Institut, and GiZ (the German Agency for International Cooperation), report to the Commission in line with the respective contribution and administration agreements. The Commission is closely involved in the day-to-day monitoring of these actions.

4.5. Audit and controls

The recommendations of the last audit conducted by the Internal Audit Service in 2017, which related to internal control arrangements in the area of public procurement, have now been fully implemented.

4.6. Evaluation

An independent evaluation of the aid programme covering the period 2013-2018 was published in 2022. The results of the evaluation were satisfactory. The evaluation concluded that the programme remains relevant and that its impact has been generally positive. It confirmed the EU added value and credited the programme with keeping the reunification perspective alive. It also underlined the general consistency and efficiency of the programme. At the same time, the evaluation highlighted that the aid programme alone cannot achieve the reunification of Cyprus, for which the two Cypriot communities remain responsible.

4.7. Information, publicity and visibility

Overall, more than 350 visibility and communication actions were organised in 2024 to showcase the contribution of the European Union to the development of the Turkish Cypriot community and the Cyprus settlement process. In 2024, the Commission published a dedicated report showcasing the efforts made under the aid programme for a comprehensive settlement of the Cyprus issue to ensure a better future for all Cypriots and to help achieve lasting security and stability in the eastern Mediterranean⁴.

4.8. Consultations with the government of the Republic of Cyprus

Regular meetings were held with representatives of the government of the Republic of Cyprus. The Commission continues to rely on the government's cooperation for verifying property rights and facilitating the work of the bi-communal Technical Committees. The Commission also meets regularly with the Ministry of Foreign Affairs and the Permanent Representation of the Republic of Cyprus to the EU.

5. CONCLUSIONS

Through the work it does in line with the Aid Regulation objectives, the Commission continues to deliver assistance under the Aid Regulation to facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community and bringing it closer to the European Union.

During 2024, assistance continued to focus on areas that present particular challenges for future compliance with the *acquis*, while also ensuring that emerging needs are addressed in an efficient and timely manner.

Emphasis on relevance, maturity, ownership and sustainability of projects has yielded positive results and will continue to guide future programming discussions. Also, efforts will continue on making a greater and long-term impact in priority areas through strategic actions. The Commission stands ready to deploy resources as needed, including under the aid programme, to support settlement negotiations under UN auspices and further developments linked to the process.

⁴ European Commission. (2024). [Delivering on EU support to the Cyprus settlement: A legacy and a vision](#)