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From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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Subject: REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL
Annual Report 2025: Twentieth 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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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

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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: (i) the economic integration of the island; (ii) improving contacts and building bridges between the two communities and with the EU; and (iii) preparation for implementing the EU *acquis*, following a solution to the Cyprus problem.

2. PROGRAMMING OF THE ASSISTANCE

Between 2006 and the end of 2025, EUR 760 670 469.93 was programmed for operations under the Aid Regulation. The amount committed in September 2025 for the 2025 annual action programme was EUR 33 721 307.00². The 2021-2027 multiannual financial framework, with a total budget of EUR 240 million, has provided multiannual funding for the programme. The aid programme remains exceptional and transitional in nature. It aims to prepare for and facilitate 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.

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 Aid Regulation. In addition, Council Regulation (EU, Euratom) 2020/2093³ foresees a revision of the multiannual financial framework in the event of reunification.

3. IMPLEMENTATION MECHANISMS

The aid 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

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 11 September 2025 on adopting an Action Programme for the Turkish Cypriot community for the year 2025 [C(2025) 6117] - [Aid Programme decision 2025 - 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).

‘non-government-controlled areas’) and where the application of the *acquis* is temporarily suspended pursuant to Protocol No 10 of the Act of Accession. Assistance is implemented under direct and indirect management.

The Commission continues to implement the aid programme 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 in which the Government of the Republic of Cyprus does not exercise effective control. Ad hoc arrangements are required to implement the programme, while respecting the principles of sound financial management. The tools used in this respect include: (i) detailed monitoring of contracts and targeted support for beneficiaries; (ii) revised payment conditions; and (iii) a careful approach to the use of bank guarantees. The assistance involves a significant amount of grant support, requiring resource-intensive management.

In the event of reunification and a comprehensive settlement entering into force, the suspension of the application of the *acquis* pursuant to Protocol No 10 will be lifted. For this reason, 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 selected projects 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, including on topics related to 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 actions in support of the Turkish Cypriot community, while 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.

During the reporting period, the Commission continued to provide support to key initiatives. These include: (i) the EU scholarships programme for the Turkish Cypriot community; (ii) the peace education programme for high school students with the United World Colleges; (iii) supporting confidence-building measures under the auspices of the respective leaders of the two communities, such as the Committee on Missing Persons in Cyprus, the Technical Committee on Cultural Heritage, and the bicomunal Technical Committees; and (iv) initiatives encouraging and enabling trade across the Green Line.

Supporting the socio-economic development of the community remains an essential feature of the programme.

Tailored assistance was provided to upgrade standards in key economic sectors through projects targeting the private sector and food businesses. Significant efforts were made to improve animal health and food safety in the Turkish Cypriot community, which is beneficial for the whole island and for the EU.

The Commission continued to provide support to the Turkish Cypriot community to reach the EU standards set by the measures adopted in 2021 registering ‘Χαλλούμι’ (‘Halloumi’/‘Hellim’) as a protected designation of origin (PDO) and setting out the

conditions for its trade across 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 infrastructure projects were launched in 2025. They included: (i) extending the Pedieos/Kanlıdere linear park into the northern part of Cyprus; (ii) expanding the Agios Dometios/Metehan crossing point; (iii) installing photovoltaic panels in the Mia Milia/Haspolat wastewater treatment plant; (iv) replacing sewerage pipes belonging to Trunk 1; and (v) laying a return pipe for treated water.

There are still considerable gaps in the beneficiaries’ capacity to effectively implement the *acquis* following a comprehensive settlement. However, the Turkish Cypriot community continued to make progress in *acquis* alignment in several areas, such as product safety, anti-money laundering, education, statistics and environment, and showed continued interest in working in additional sectors and areas.

At the end of the year, 102 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. There is a particular emphasis on: (i) the economic integration of the island; (ii) improving contacts between the two communities and with the EU; and (iii) preparation for the *acquis*.

The activities carried out in 2025 are described below, for each objective of the Aid Regulation.

4.2.1. Objective 1: Promoting social and economic development

The Commission continued to promote and support the economic integration and development of the Turkish Cypriot community. It strengthened its long-standing commitment to increasing the competitiveness and innovation of the Turkish Cypriot private sector, recognising small and medium-sized enterprises as the backbone of local economic activity. Since the start of the aid programme, the EU has awarded over 2 554 grants, amounting to more than EUR 27 million for private sector development.

In 2024, the Commission launched a new initiative to support innovation and enhanced competitiveness in Turkish Cypriot businesses. Since then, the *eunite* programme – implemented with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH – has awarded grants totalling nearly EUR 2 million to 45 companies trading or seeking to trade across the Green Line, enabling them to align with EU standards. Beyond grant assistance, the *eunite* programme delivered 14 training sessions, including workshops on EU product and food safety regulations, reaching 338 participants, alongside 13 engagement events that connected 356 participants with mentors, peers, and experts. 32 businesses were supported in the development of tailored innovation roadmaps, and 16 entrepreneurs received one-to-one mentoring. The Startups4Peace 2025 competition further contributed to cross-community collaboration, with 10 start-ups (4 Greek Cypriot and 6 Turkish Cypriot) benefiting from mentoring, bootcamps and seed funding. The support to Turkish Cypriot businesses was complemented by broader efforts to introduce local legal texts on product safety aligned with EU standards and an EU-aligned market surveillance

system and risk-based controls on locally manufactured goods in the Turkish Cypriot community.

The Commission also continued its partnership with the World Bank to support economic convergence across Cyprus. The World Bank provided macroeconomic reporting, supported the trade and business environment and improved statistics. In 2025, two key assessment reports were carried out on quality infrastructure in the Turkish Cypriot community and labour mobility; these will be completed in 2026, together with implementation roadmaps. The EU's sustained investment in economic development and convergence is helping transform the business environment and individual businesses and laying the groundwork for a more dynamic, resilient Turkish Cypriot private sector that complies with EU standards and is ready to seize the opportunities of the EU single market.

The bicommunal Halloumi/Hellim EU PDO scheme continued to be implemented throughout 2025. Once fully in place, it has the potential to generate substantial economic benefits for Turkish Cypriot Halloumi/Hellim producers too. By 2025, 4 Turkish Cypriot producers and 24 farms were PDO-certified. The start of animal health and food safety inspections in the non-government-controlled areas was significantly delayed due to the delegation of powers to Bureau Veritas being postponed for more than a year until the end of March 2026. This negatively impacted the participation of Turkish Cypriot stakeholders in the PDO scheme and the ability to monitor the animal health status in the Turkish Cypriot community. Throughout the year, the Commission engaged with the authorities of the Republic of Cyprus to address these delays.

Progress was made in the long-standing efforts to strengthen EU-aligned food safety and animal health management, agriculture and rural development in the Turkish Cypriot community. In 2025, the first ever sheep and goat breeding programme was launched, and the Agricultural Knowledge and Innovation System (AKIS) in the Turkish Cypriot community brought new opportunities to this key economic sector. The EU's long-term assistance was instrumental in helping the Turkish Cypriot community to rapidly implement emergency actions in response to the foot-and-mouth disease outbreak in December 2025. Considering the severity of the disease and its island-wide economic repercussions, long-term EU support for this sector remains a priority.

In 2025, the Commission continued its support to the education sector, focusing on vocational education and training (VET) and teacher training. A new technical assistance project was launched to establish the following systems in vocational education schools: one for quality assurance, one for credit passing, and one for accreditation. This builds on previous significant work in VET reform and curriculum development. The project on 'Improving teaching and learning through continuous professional development and an inspection mechanism', which concluded in 2025, had a positive impact on the modernisation and decentralisation of teacher training in the community. The project's main result was to develop over 100 modules in four key areas: effective teaching and learning, inclusive education, safe schools and school leadership. The project is currently being implemented, but challenges persist due to underdeveloped legal frameworks, such as the lack of definition for the teacher trainer role, responsible for training teachers on the new modules. Efforts to address this legal

challenge remain a priority in this sector and support is being provided through the Technical Assistance and Information Exchange instrument (TAIEX).

In 2025, the Commission continued to provide support to boost trade across the Green Line. Despite these efforts, Green Line trade decreased by 5% to EUR 14.4 million in 2025, mainly due to price increases in the Turkish Cypriot community. No new processed foods of non-animal origin were allowed to be traded over the Green Line during the year. The business community showed great willingness to improve compliance with EU standards. This was demonstrated by an increasing number of inquiries addressed to the EU One Stop Shop (EU OSS) for Green Line trade, which provides knowledge, support and networking opportunities to businesses and traders interested or involved in Green Line trade. Since the start of the initiative in 2023, the EU OSS has provided tailor-made support to over 100 traders.

4.2.2. *Objective 2: Developing and restructuring of infrastructure*

Since 2006, significant EU funding has been provided to improve infrastructure in the Turkish Cypriot community. In 2025, an additional 153 kilometres of sewerage pipes were installed to replace damaged septic tanks, which could contaminate groundwater. More recent investments included water management systems and wastewater networks, energy efficiency measures, and air quality and noise measurement systems. Equally important bicomunal infrastructure projects were started, such as the expansion of the Agios Dometios/Metehan crossing points and the rehabilitation of the Pedieos/Kanlidere river linear park.

Structural challenges linked to the operation of the landfill in the Turkish Cypriot community continued and became more acute in 2025. The poor operation and management of the landfill facility was not systematically corrected, leading to the landfill being almost completely full and compromising the sustainability of overall waste management in the Turkish Cypriot community.

To improve and protect the environment, the Commission continued supporting the Turkish Cypriot community by completing the renovation of the local air quality network and water monitoring capabilities. In addition, the Commission funded an assessment of heavy metal concentration in soil, groundwater and crops from the Morphou plain. These activities are essential to improving the capacity of local bodies to monitor, evaluate and foster the preservation of natural resources while minimising risks to human health and biodiversity.

The United Nations Development Programme (UNDP) continued to implement the EU's Local Infrastructure Facility (LIF) through ongoing contribution agreements with the Commission, totalling over EUR 37 million. The LIF supports the preparation and implementation of essential infrastructure investments, such as: (i) improving the sewage system in the area of Mandres/Hamitköy; (ii) installing water tanks, pumping systems and solar panels in Lefka/Lefke; (iii) providing sports facilities and equipment in multiple schools; and (iv) building a septage acceptance unit for the Mia Milia/Haspolat wastewater treatment plant.

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

Opportunities for bicomunal dialogue, reconciliation and trust-building continued to be provided through confidence-building initiatives under the auspices of the United Nations. This includes the Committee on Missing Persons in Cyprus (CMP) and the bicomunal Technical Committees, as well as the work of the Cyprus Dialogue

Forum, civil society organisations and the scholarship programme offered in partnership with the United World Colleges (UWC).

In 2025, the EU allocated EUR 2.6 million to the CMP, maintaining the steady level of support since 2006 and thereby contributing substantially to peacebuilding. This brings the EU's total contribution to the CMP to EUR 41.1 million. This funding represents approximately 80% of the CMP's total operational budget, covering critical laboratory and field activities. By the end of 2025, the CMP had exhumed 1 714 remains and identified 1 063 of the 2 002 missing persons it is investigating. However, as time passes, CMP investigations and excavations grow increasingly complex and require sustained funding.

The aid programme continued to support the 13 Technical Committees (bicomunal bodies set up under UN auspices), which operate under the direct guidance of the leaders of the two communities. These committees fulfil a dual mandate: facilitating political negotiations while fostering practical cooperation to improve the day-to-day lives of both communities.

The Technical Committee on Cultural Heritage (TCCH) has consistently received EU funding since 2011. This financial support has promoted reconciliation and cross-community collaboration by safeguarding culturally significant sites, including religious monuments and cemeteries. By the end of 2025, the TCCH had received approximately EUR 32.5 million in EU funding, enabling the conservation, structural reinforcement, physical protection or restoration of over 200 sites across the island. To encourage public interest, the programme has developed a digital platform for virtual site tours and established a Heritage Youth Ambassadors initiative to engage young Cypriots in the preservation and promotion of their cultural heritage.

The aid programme also provided targeted assistance to the remaining 12 Technical Committees through a dedicated support facility. Between 2023 and 2025, EUR 1 million was used by eight committees, funding a diverse range of initiatives, from technical cooperation on policy issues (e.g. pest control) to community outreach events (e.g. a bicomunal photo exhibition). The impact of these committees has been constrained by an unfavourable political climate and operational limitations, but their continued existence as a collaborative platform remains significant.

In 2025, the programme awarded scholarships to an additional 9 Greek Cypriot and 9 Turkish Cypriot students, enabling them to enrol at the United World Colleges (UWC). Since its inception, the scheme has supported 82 outstanding young Cypriots in following a two-year International Baccalaureate programme, which seeks to unite individuals in the pursuit of peace and a sustainable future.

The scholarship initiative was complemented by youth engagement activities and short courses in Cyprus, reaching over 450 young people by the end of 2025. These efforts empowered participants to drive positive societal change in their communities.

Support for civil society continued in 2025. The Civic Space and the Grant Support Team projects were successfully completed and a follow-up project merging these services started in December 2025 with a budget of EUR 2.3 million. Over the next two and a half years, the upgraded Civic Space will continue to provide technical assistance to civil society organisations to build their capacities, including in managing and implementing EU funds. Its objectives include promoting an enabling environment for the development of civil society and encouraging networking and joint actions with Greek Cypriot and other EU civil society organisations (CSOs). With

EU support, local CSOs successfully completed projects addressing, for example, the rights of sexual minorities, and promoting the employment of people with disabilities and ex-convicts. The Commission also facilitated cooperation among Greek Cypriot and Turkish Cypriot CSOs in the areas of human rights violations, fighting human trafficking, culture, youth and engagement in social actions.

Under the ninth Cypriot Civil Society in Action grant scheme, 16 grants totalling EUR 2.22 million were awarded. The selected projects cover important areas, including: (i) environmental protection and sustainable development; (ii) reconciliation; (iii) confidence building; and (iv) promoting the participation of civil society in the settlement process. Other crucial projects take forward work on women's empowerment and support for the victims of gender-based violence, youth advocacy, health rights, animal rights and creating an enabling environment for CSOs.

In 2025, the Cyprus Dialogue Forum – which brings together political parties, trade unions, business, professional and employer associations and CSOs from both communities – continued its work with EU funding. The Forum organised several meetings of its political task group, which is composed of politicians from most parties in the two communities. Among these meetings, the group held a discussion with the EU's Special Envoy for Cyprus, Johannes Hahn. The Forum's labour task group launched its Labour Market Guide, a trilingual open-access resource that consolidates key employment and economic statistics from both communities on the island. In addition, the EU-funded Human Rights Platform continued to carry out activities focused on gender equality, combating human trafficking, refugee rights, LGBTI+ rights, and freedom of association, expression and press.

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 for the Turkish Cypriot community. A total of 142 scholarship grants were awarded to Turkish Cypriot students during the 2024/2025 academic year to study in an EU Member State. Furthermore, an alumni strategy was developed to enable alumni to network, engage and harness their skills and opportunities, as well as to increase the number of them returning to the Turkish Cypriot community as professionals.

Since 2007, 2 418 scholarships have been awarded to students, covering more than 100 universities and 23 EU countries. These scholarships support: (i) students during their first year of undergraduate studies; (ii) graduate students in their master's or doctoral programmes; and (iii) 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. In 2025, through its online and offline activities, 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 2025, including the first bicomunal Europe Day celebration, which attracted around 5 000 participants. During this period, around 30 factsheets, booklets and audiovisual materials were produced. Building on this strong engagement, there is clear and growing interest from the community for more EU-related information events and outreach activities in the coming period. This

interest reflects the Turkish Cypriot public's continued demand for accessible, reliable and timely information about the EU and its support.

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* once the suspension of its application is lifted on entry into force of a comprehensive settlement for Cyprus.

The TAIEX instrument remains an important tool for achieving the aid programme's objectives and supporting trade across the Green Line. TAIEX activities were carried out in 13 sectors of the EU *acquis* to bring the Turkish Cypriot community closer to EU standards and procedures. In total, 81 expert missions and one workshop were organised. In addition, efforts continued to improve a database of all legal texts drafted with TAIEX support and to ensure that high-quality translation and interpretation in the Turkish Cypriot community continued.

Support for trade across the Green Line (under 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. This brings to 14 the number of processed food products of non-animal origin that are permitted. TAIEX experts ensured EU-level standards and quality were met through compliance checks on processed food facilities in the non-government-controlled areas.

4.3. Financial execution (contracts and payments)

4.3.1. *Contracting*

In 2025, the Commission signed legal commitments amounting to EUR 29.2 million.

4.3.2. *Payments*

Payments in 2025 totalled EUR 38.5 million (EUR 40.4 million in 2024).

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 regular contacts with contractors, spot-check visits, site meetings and steering committee meetings, as well as 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 several contracts through indirect management. The implementing bodies, such as the UNDP, the World Bank, the Goethe-Institut and GIZ, 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 activities.

4.5. Audit and controls

Audits conducted by the European Court of Auditors in 2025 on projects funded under the aid programme did not result in any findings. The Commission's Internal Audit Service did not audit any projects under the aid programme in 2025.

4.6. Evaluation

An independent evaluation of the aid programme covering the 2013-2018 period 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 positive. It confirmed the EU added value and credited the programme with keeping the prospect of reunification 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.

An evaluation of the aid programme covering the 2019-2024 period was launched in January 2026. The result of the evaluation is expected to be published in 2027.

4.7. Information, publicity and visibility

Overall, more than 350 visibility and communication activities were organised in 2025 to showcase the EU's contribution to the development of the Turkish Cypriot community and the Cyprus settlement process.

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 bicomunal 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

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

During 2025, assistance continued to focus on areas that present challenges for future compliance with the *acquis*, while also ensuring that emerging needs are addressed in an efficient and timely manner.

Emphasis on the relevance, maturity, ownership and sustainability of projects has yielded positive results and will continue to guide future programming discussions. Efforts will also continue to achieve greater and long-term impact in priority areas through strategic action. 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.