



WP6

Urban entrepreneurial policy for sustainable development in CYPRUS

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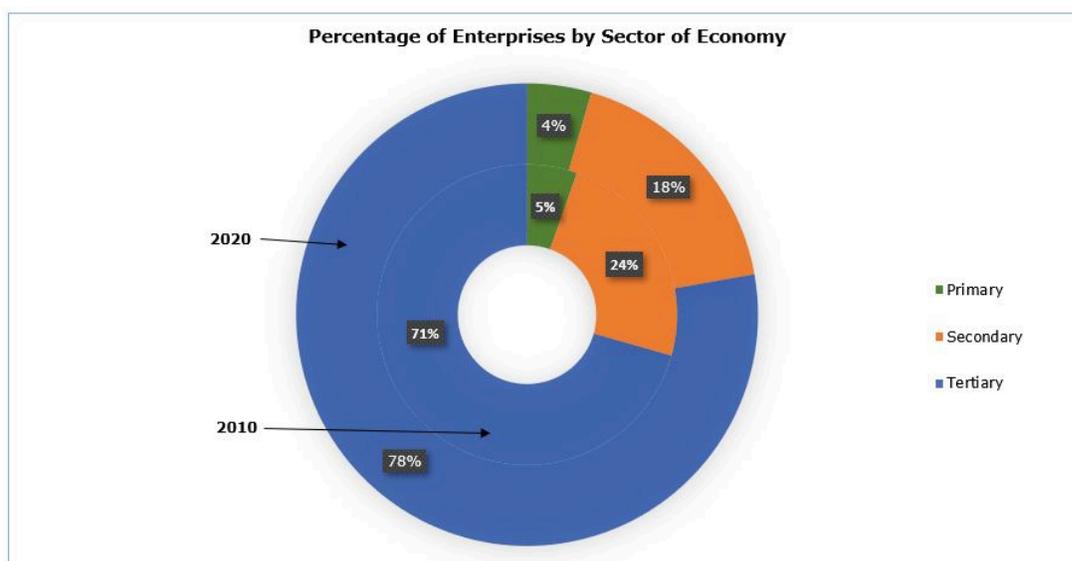


Innovation Country Profile: CYPRUS

1. Background

Cyprus, officially known as the Republic of Cyprus, is a unique island nation located in the eastern Mediterranean Sea. While geographically positioned in Western Asia, its cultural ties and geopolitics are predominantly South-eastern European. As the third-largest and third-most populous island in the Mediterranean, it stands out in its region.

Cyprus has successfully diversified its largely agrarian economy into one based on services, including a large tourism sector, and light manufacturing. More recently, it has also developed into an important financial hub, especially for investors from Russia and Eastern Europe.



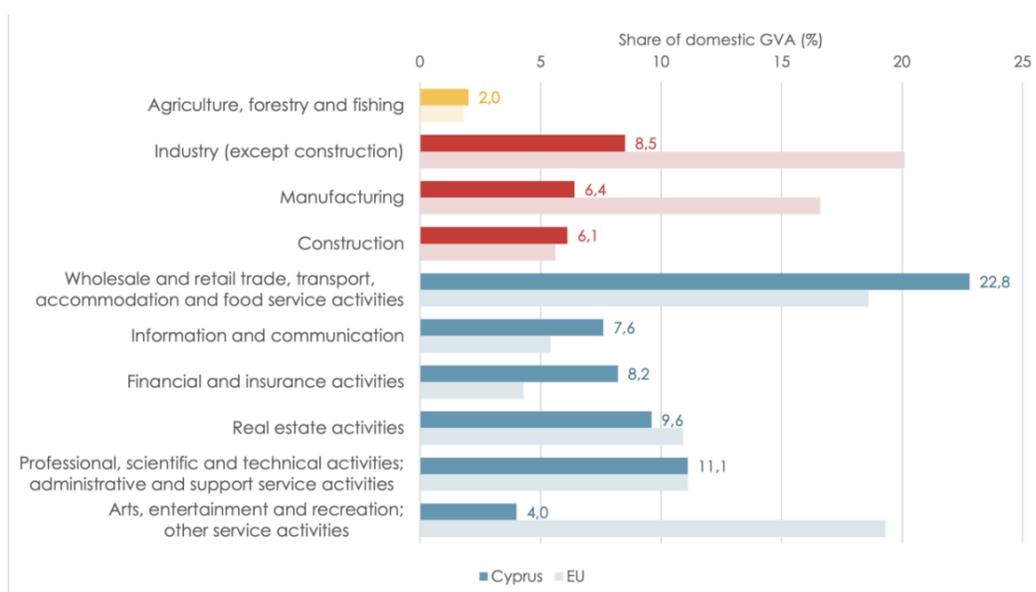
Source:

www.cystat.gov.cy

Cyprus has been steadily growing as an innovation and entrepreneurship hub, with a significant increase in contributions to the economy in recent years. The ICT industry made up 13% of the country's GDP in 2022, translating to 3 billion euro in contribution to the economy.



Gross Value Added Per sector in Cyprus and EU (2021)



Source: www.dmrid.gov.cy Source: Eurostat

The Cyprus Entrepreneurship Ecosystem is steadily growing, supported by organizations, institutions, and initiatives across various sectors. The environment for start-ups and SMEs has grown increasingly supportive and cooperative, enabling entrepreneurs to obtain important resources and mentorship. Incubators and accelerators are crucial components of the Cyprus Entrepreneurship Ecosystem, supporting early-stage ventures and aspiring entrepreneurs. These programs offer start-ups resources, mentorship, and advice, helping them tackle initial challenges and build a solid foundation for growth.

Over 446 start-ups and scaleups called Cyprus home in 2022, and together they are now worth €3.7b in combined enterprise value. Many organizations work together to offer constant innovation and entrepreneurship events, collaborations, and discussions to foster innovation and the start-up community.

Another growing component that supports the entrepreneurial ecosystem is the Co-working spaces that provide affordable, flexible work environments for start-ups, freelancers, and established businesses.



These shared spaces foster community, networking, collaboration, and idea exchange, allowing ecosystem players to grow together and create synergies.

There are several innovation ecosystems in Cyprus, that have generated successful companies. The applied sciences ecosystem includes academic centres of excellence across the island, and also research-based accelerators.

The ongoing growth of the innovation ecosystem in Cyprus relies on a strong foundation created by various ecosystem participants, working together to nurture connections, promote cooperation, and foster a culture of innovation.

The innovation ecosystem in Cyprus, while growing, faces several challenges:

1. **Legislative Issues:** There is a need to facilitate connections between government authorities and the tech sector to foster and accommodate the growth of the tech sector in Cyprus. This includes updated tax frameworks, naturalization policies, and other important legislative issues that tech companies are facing.
2. **Human Resources:** Attracting the best talents to Cyprus and helping employees with relocation issues is another challenge. Human resources is a crucial issue for all companies, especially tech companies.
3. **Banking and Compliance:** Facilitating connections between the Association of Cyprus Banks, the biggest local banks, and the tech sector is essential. It is also important to communicate the weaknesses of the Banking Sector and educate Banks regarding the operations of Tech Companies in Cyprus.
4. **Startups Support:** Local and international start-ups operating from Cyprus need help to improve their conditions, tackle legislative pain points, and offer a platform for networking and collaborating between start-ups and established industry leaders.
5. **Education:** There is a need to solve the problem of lack of school seats for the family members of professionals. Cultivating a culture for the local young generation to follow a career in STEM and contribute to the talent pool growth is also a challenge.
6. **Changing Mindsets:** The vision of the start-up and innovation ecosystem in Cyprus should be about changing the 'DNA' of the people living in Cyprus. People should start to think differently and find innovative solutions to their problems. The ecosystem should promote and embrace constant change and growth for a better life.

These challenges, while significant, also present opportunities for growth and improvement in the innovation ecosystem of Cyprus.

2. Research and innovation in Cyprus

By the European Innovation Scoreboard standards, Cyprus is a strong innovator with a score of 106.9, which is below the average of the Strong Innovators 114.5%. The performance increased sharply in 2020 and continued to improve in 2021 and 2022.

Positioning of Cyprus versus EU average in 20/21 & trends				
	Dimensions	Indicator	CY positioning –21/22	Trend vs 2015
Framework conditions	Attractive research systems	International scientific co-publications	Above EU average	++++
		Top 10% most cited publications	Below EU average	--
	Innovation-frien dly environment	Opportunity-driven entrepreneurship (enterprise births)	Similar to EU average	=
Investments	Finance & support	R&D expenditure in the public sector	Below EU average	++++
	Firm investments	R&D expenditure in the business sector	Below EU average	++
		Non-R&D firms innovation expenditures	Below EU average	++++
Innovation activities	Linkages	Innovative SMEs collaborating with others	Above EU average	++++
		Public-private scientific co-publications	Above EU average	++++



	Intellectual assets	PCT patent applications	Below EU average	+
		Trademark applications	Above EU average	+
		Design applications	Below EU average	+++
	SMEs innovators	Product innovators (SMEs)	Above EU average	++++
		Business process innovators (SMEs)	Above EU average	+++
Notes: Positioning and trends indications based on normalised scores; trend indications up or down: +/- = 10%-; ++/-- = 20%; +++/-- = 30%; ++++ / ---- = 40%+; Source: EIS				

However, the weaknesses of Cyprus consist mostly in the lack of capabilities to exploit research results for creating economic and societal impact, although progress is observed in recent years. In its 2016/2017 report, The Global Entrepreneurship Monitor (GEM) ranked Cyprus as 41st out of 66 countries in R&D transfers for business, with Cyprus scoring 3.66. While in its 2020/2021 report, the score improved to 4.0, ranking Cyprus 27th out of 45 countries. Hence, despite considerable improvements in its innovation system, enhancing R&I activity in the business enterprise sector remains a significant challenge for Cyprus's R&I policy.

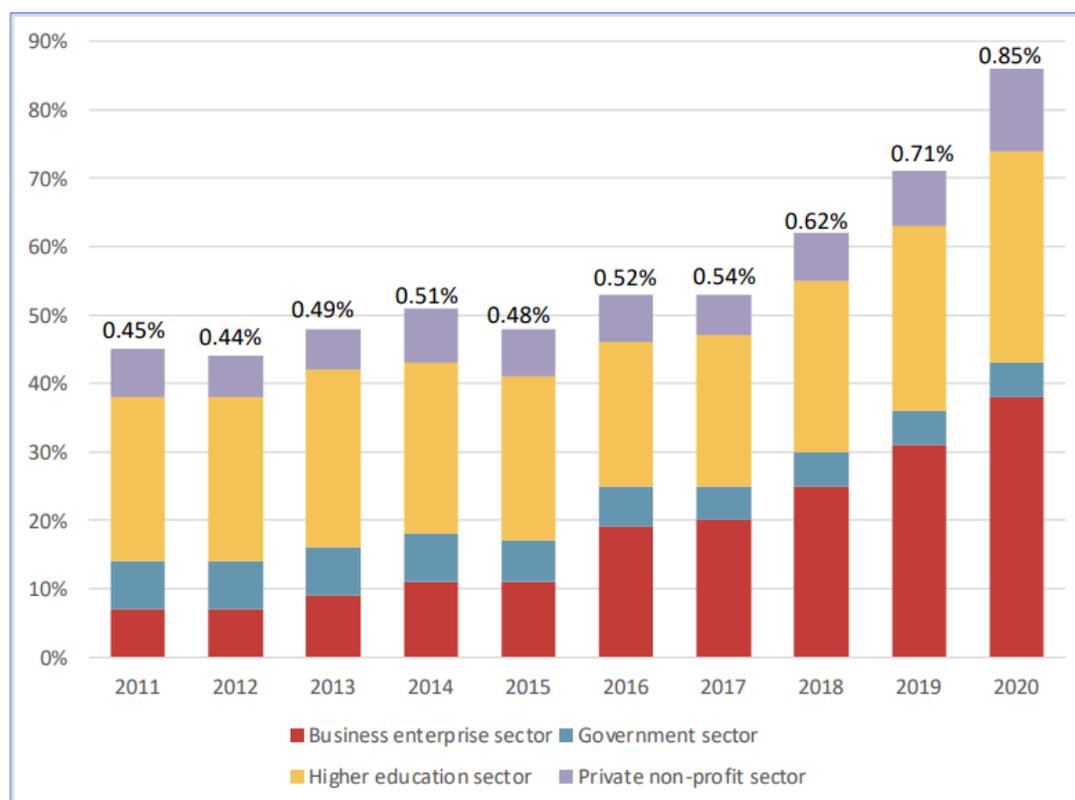
2.1. Research and Development (R&D) Expenditure

The Cypriot economic crisis slowed economic progress between 2011 and 2016, with adverse effects on the development of local R&D capacities. Still, the economy has resumed, and with it, the R&D activity. After several years of stagnation, R&D spending has been increasing steadily since 2017, rising from 0,54% of GDP in 2017 to 0,85% of GDP in 2020, as calculated by the gross domestic expenditure on research and experimental development (GERD). However, R&D spending in Cyprus remains one of the lowest in the EU, only surpassing Romania (0,47% in 2020), Malta (0.66%), Latvia (0.71%) and Bulgaria. In contrast, most EU countries' gross domestic expenditures in R&D exceed 2%, as testified by the EU average of 2,32% - still far from Cyprus' situation.



The below figure shows that mainly the business sector supports the rise in gross expenditures in R&D. While in 2011, the R&D spending from the business sector was similar to the government sector and the private non-profit sector (7% of GDP, €13.8m), it rose quickly in the following years. More specifically, the business sector investment increased from €19.5m in 2015 to €53.9m in 2018 and €81.9m in 2020 – representing 44% of Cyprus’ R&D spending in 2020.

Gross expenditures in R&D as a percentage of GDP by sector of performance



2.2. Highlights of Key Innovation funding opportunities

Research and Innovation Foundation (RIF)

The Research and Innovation Foundation (RIF) is the national authority in charge of supporting and promoting research, technological development and innovation in Cyprus.



The RIF was established in 1996, following an initiative by the Government of the Republic of Cyprus, with the initial name of Research Promotion Foundation (RPF). The RIF is a private legal entity structured as a non-profit organization, and is registered as an Institution, under the Societies and Institutions Laws. The significant role of scientific research in modern socio-economic development, as well as the vital need to enhance research activities and infrastructures in Cyprus, were determining factors for the founding of the RIF.

Since its establishment, the Foundation has developed widespread activities at the National, European and International levels, with a strong focus on the development of national research programs, as well as the representation of Cyprus in European and International programs and organizations. Following a relevant decision by the Council of Ministers in 2007, the Foundation expanded its range of activities to also support and advance Innovation in Cyprus.

After a further decision by the Council of Ministers in October 2018, for the overall restructuring of the Research, Technological Development and Innovation System in Cyprus, the Foundation was renamed to Research and Innovation Foundation (RIF), and took over the role of the executive arm of this System. RIF's mission is the establishment of all the necessary conditions and requirements that will support the development of Research, Technology and Innovation in Cyprus. Through innovative actions and programmes, RIF reinforces the domestic Research and Innovation ecosystem, contributes to strengthening the competitiveness of the Cypriot economy and develops cooperation and networking with the international research and entrepreneurial communities.

As a member of the EU, Cyprus can take advantage of EU funding opportunities. Therefore, the list below includes both local and EU programs.

EIC Accelerator funding opportunities: This is a part of the European Innovation Council (EIC) that provides support to top-class innovators, entrepreneurs, small companies and scientists with bright ideas and the ambition to scale up internationally.

COSME: This is Europe's programme for small and medium-sized enterprises.

InvestEU: This fund supports strategic investments in key areas such as infrastructure, research and innovation, education, renewable energy and energy efficiency as well as risk finance for small businesses.

InnovFin finance for innovators: This is a joint initiative launched by the European Investment Bank Group (EIB and EIF) in cooperation with the European Commission under Horizon 2020.



Innovation Fund (2021-2027): This program helps reduce greenhouse gas emissions. It supports both “large-scale” projects with a capital expenditure of over €7.5 million and “small scale” projects with a total capital cost of less than €7.5 million.

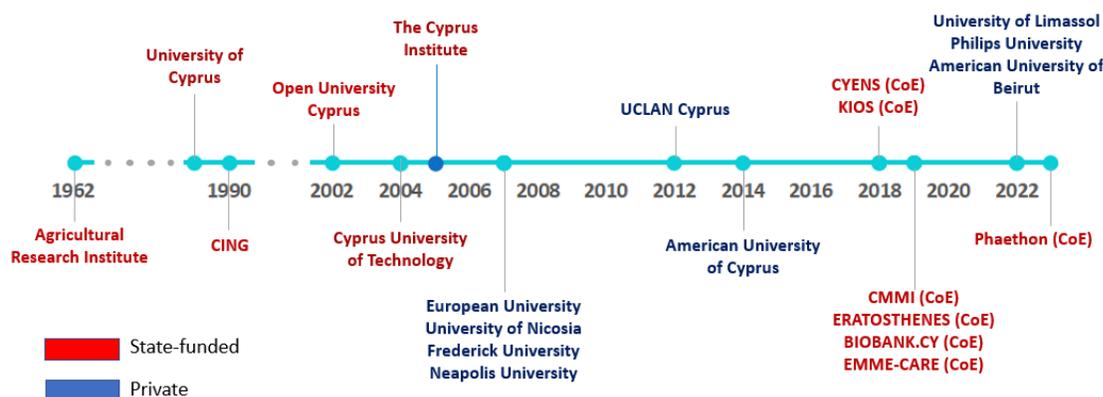
RESTART Programmes (2016-2020): This is a multiannual framework of Programmes for Research, Technological Development and Innovation (RTDI) Support in Cyprus, co-funded by national and European funds.

National Digital Strategy (2020-2025): This strategy includes actions for the promotion of e-government, ultra-fast connectivity, enhancement of digital skills across government, industry, academia and society, and the development of smart cities throughout Cyprus.

Eureka network: Cyprus is part of the Eureka network and Cypriot organisations participating in international R&D projects are eligible for funding through the Network projects, Globalstars and Eurostars programmes.

2.3 Higher Education Ecosystem

6.5-7.0 % of GDP



The Cypriot higher education ecosystem is a vibrant and thriving sector that offers a wide range of opportunities for local and international students. It comprises 3 public and 9 private universities, along with 10 Centres of Excellence and more than 40 public and private higher education institutions. These



institutions offer a large variety of advanced and fully accredited undergraduate and postgraduate programmes.

World-class research initiatives have been set up by international calibre researchers based in academic institutions and advanced research centres throughout Cyprus. This places the country high on the global research and development map, offering exciting opportunities to students and young professionals from overseas.

3. National Strategies and Policies

Cyprus has a Deputy Ministry for Research, Innovation and Digital Policy that has as its main Functions the following:

- To develop and implement a national digital policy and strategy and to participate in forming a suitable regulatory framework, at European and international level, for the development of digital policy
- To develop, coordinate and implement the national strategy for research and innovation and to supervise the operation of the National Governance System for Research and Innovation
- To specialise and implement policies in Information and Communication Technologies and e-government in the public service
- To design and coordinate the implementation of a national broadband plan
- Political guidance and supervision of the Research and Innovation Foundation

The Vision and Mission of the Deputy Ministry are the following:

Cyprus to become a dynamic and competitive economy, driven by research, scientific excellence, innovation, technological development and entrepreneurship, and a regional hub in these fundamental areas.

By supporting scientific research, investing in innovative entrepreneurship and implementing an ambitious digital transformation reform, the Deputy Ministry aspires to develop a modern and efficient state, competitive at European and international level, and a dynamic digital economy, where every citizen and every business will be able to grow and prosper.



The Strategic plan of the Deputy Ministry focuses on the following key areas:

1. Acceleration of digital transformation program (e-government projects, development of digital services, development and exploitation of cutting-edge technologies, horizontally projects e.g. electronic identity card etc.).
2. Ensuring universal access to ultra-high-speed connectivity and amplification of the demand for broadband services.
3. Promoting the development of smart cities.
4. Upgrading the digital skills of all population groups, promotion skills of the future and a culture of innovation and entrepreneurship.
5. Strengthening cooperation at international and regional level and mobilizing diaspora.
6. Creating a favourable environment for attracting investment and establishing Cyprus as a regional center of activity for Science, Technology and start-ups, and data hub.
7. Upgrading research capacity (infrastructure and human resources) and promoting it commercial exploitation of research results.
8. Expansion of innovation/start-up ecosystem and promotion of innovation in the business.
9. Formulation and implementation of an integrated strategic policy framework for the Cyber security for the protection of the critical infrastructures of the state, businesses and society more broadly.



Cyprus - Local Strategic Urban Action Plan

1. Regeneration of Built Environment:

- Implement sustainable urban design principles, focusing on energy-efficient buildings and green spaces.
- Promote community engagement in urban renewal projects.

2. Resilient and Renewable Energy Systems:

- Invest in solar energy projects to exploit Cyprus's abundant sunlight.
- Implement policies to encourage energy-efficient practices in both public and private sectors.

3. Urban Bio-economy:

- Prioritize waste reduction and recycling initiatives, aligning with circular economy principles.
- Support local initiatives for sustainable agriculture within urban areas.

4. Improved Access to Education:

- Upgrade educational facilities and invest in digital infrastructure for remote learning.
- Enhance educational outreach programs, particularly in remote or underserved areas.

5. Improved Resilience to Climate Crisis:

- Develop climate-resilient infrastructure, considering the unique challenges posed by Cyprus's climate.
- Implement water conservation projects and sustainable water management practices.



6. Entrepreneurial Ventures:

- Support startups in sustainable tourism, green technologies, and eco-friendly products.
- Establish entrepreneurship programs connecting local businesses, startups, and research institutions.



Urban entrepreneurial policy for sustainable development in CYPRUS

1. Legislative Framework

- Facilitate regular dialogues between government authorities and the tech sector to address legislative issues hindering the growth of the tech sector.
- Update tax frameworks, naturalization policies, and other legislative aspects to create an enabling environment for tech companies.

2. Human Resources Development

- Implement initiatives to attract and retain top talents in Cyprus, addressing relocation challenges for professionals.
- Promote STEM education and cultivate a culture of innovation among the local young generation.

3. Banking and Compliance

- Establish platforms for effective communication between the Association of Cyprus Banks, major local banks, and the tech sector.
- Educate banks about the unique operations of tech companies in Cyprus and work towards aligning banking services with the needs of the tech sector.

4. Startups Support

- Create a comprehensive support system for local and international startups, addressing legislative challenges and providing networking opportunities.
- Develop a platform for collaboration between startups and established industry leaders to enhance growth and innovation.



5. Education

- Address the shortage of school seats for the family members of professionals by implementing targeted solutions.
- Promote initiatives that encourage the local youth to pursue STEM careers and contribute to the growth of the talent pool.

6. Changing Mindsets

- Develop programs and campaigns aimed at changing the mindset of the population, encouraging innovative thinking and embracing constant change for a better future.
- Foster a culture that values and promotes continuous learning and adaptation.