Innovation, a key factor to the European competitiveness in the global economy, has garnered particular attention from policy makers and entrepreneurs in Cyprus over the last decade. Cyprus innovation performance followed an upward trend of 6.6% from 2009 to 2011, while this trend reversed from 2012 onwards (Innovation Union Scoreboard 2015 (EU, 2015)). In 2014, Cyprus was amongst the 2 member states that presented declining innovation performance and also changed group membership from innovation followers to moderate innovators, a ranking that sets Cyprus well below the EU average.

Almost all of the private companies in Cyprus are micro or small enterprises. By this criterion, Cypriots are extremely entrepreneurial, with a relatively huge number of people starting their own business. At the end of 2014, Cyprus had about 38,424 Small and Medium-sized Enterprises (SMEs), 99.8% of the total number of local enterprises, accounting for 45.7% of total employment and 34% of total value added (Annual Report on European SMEs 2013/2014, European Commission (EC), 2014).

The current basic structure of the Research, Technological Development and Innovation system in Cyprus (RTDI) was established in the mid-1990s. Research and Development (R&D) expenditure only accounted for 0.48% of the country’s GDP in 2013, or €86.1m in real terms, amongst the lowest rates in the EU. At the same time, 56.2% (or €47.1m) of total R&D expenditure was attributed to research carried out by higher educational institutions.

In an effort to promote entrepreneurship and innovation in Europe, the Horizon 2020 funding programme was launched in 2014. It focuses on research and innovation as key tools for triggering smart and sustainable growth, while at the same time addressing societal challenges, like unemployment. In Cyprus, direct government spending on R&D has remained stagnant at a rather low rate and accordingly, the country's innovation index has lagged behind that of the EU-28. Despite the dearth of national R&D funding, Cypriot universities and SMEs have been relatively successful in winning competitive R&D grants from the EU. In September 2013, the government set up a National Committee for Research, Innovation and Technological Development and more recently, has introduced tax incentives and other initiatives to encourage private investment in innovative enterprises and R&D.

1 Please refer to “Definitions” (p.15) for the definitions of all indicators used.
“Innovation refers to change that speeds up and improves the way we conceive, develop, produce and access new products, industrial processes and services. Changes that create more jobs, improve people’s lives and build greener and better societies.” (Innovation Union Plan)

“The European Innovation Scoreboard provides a comparative assessment of research and innovation performance in Europe. The scoreboard help countries and regions identify the areas they need to address”. (Innovation Union Scoreboard, 2015)

Innovation

Innovation in the EU
The EU strategy on innovation, which is part of the Europe 2020 strategy for growth and jobs, was launched in 2010 and was termed the Innovation Union. The Innovation Union aims to create an innovation-friendly environment that makes it easier for great ideas to be turned into products and services that will bring economic growth and jobs.

Innovation by sector of performance
According to the Innovation Index, there are four performance groups in the EU: the modest innovators, the moderate innovators, the innovation followers and the innovation leaders. In 2014, the EU-28 as a whole was considered as an innovation follower with its innovation index at 0.555 units. Cyprus was in the group of moderate innovators over the same period, with its innovation index standing at 0.445 units.

Innovation Index

Key indicators

| Source: CyStat, Department of Registrar of Companies and Official Receiver, Eurostat, Innovation Union Scoreboard

*Includes direct government spending and government university funds

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total R&amp;D expenditure (€ per inhabitant)</td>
<td>514</td>
<td>532.6</td>
<td>539.2</td>
<td>n/a</td>
</tr>
<tr>
<td>Gross domestic expenditure on R&amp;D (% of GDP)</td>
<td>0.46</td>
<td>0.43</td>
<td>0.48</td>
<td>n/a</td>
</tr>
<tr>
<td>Innovation Index: Cyprus</td>
<td>0.504</td>
<td>0.503</td>
<td>0.489</td>
<td>0.445</td>
</tr>
<tr>
<td>Innovation Index: EU-28</td>
<td>0.545</td>
<td>0.542</td>
<td>0.554</td>
<td>0.555</td>
</tr>
<tr>
<td>Share of government spending on R&amp;D (% of total government spending)</td>
<td>0.75</td>
<td>0.68</td>
<td>0.69</td>
<td>n/a</td>
</tr>
<tr>
<td>National applications for patents</td>
<td>8</td>
<td>12</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Renewal of patents (per 1,000 persons)</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>9</td>
</tr>
</tbody>
</table>

“Innovation refers to change that speeds up and improves the way we conceive, develop, produce and access new products, industrial processes and services. Changes that create more jobs, improve people’s lives and build greener and better societies.” (Innovation Union Plan)
Cypriot Research and Development Expenditure and Performance in 2014

**Research and experimental development**

Research and experimental development comprises creative work undertaken on a systematic basis in order to increase the stock of human knowledge and to devise new applications based upon it. The term R&D covers three activities: basic research, applied research and experimental development.” (OECD)

**R&D expenditure**

Cyprus’ share of GDP allocated to R&D activities continues to be lower than the EU average. In 2013, R&D expenditure accounted for only 0.48% of the country’s GDP, a small increase over the 0.43% level of 2012. The EU average expenditure on R&D was at 2.01% of GDP in 2013.

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**The Innovation Union Scoreboard measures relative performance in 8 innovation dimensions, capturing in total 25 different indicators. The 8 innovation dimensions evaluated are:**

- Human resources
- Open-excellent research systems
- Finance and support
- Firm investments
- Linkages and entrepreneurship
- Intellectual assets
- Innovators
- Economic effects

**Cyprus Innovation performance in 2014 (relative to EU)**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>EU=100</th>
<th>%</th>
<th>Annual growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic effects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licence and patent revenues from abroad</td>
<td>75</td>
<td>-32%</td>
<td>-6.8%</td>
</tr>
<tr>
<td>Sales share of new innovations</td>
<td>92</td>
<td>-1.1%</td>
<td></td>
</tr>
<tr>
<td>Knowledge-intensive services exports</td>
<td>81</td>
<td>-1.2%</td>
<td></td>
</tr>
<tr>
<td>Medium &amp; high-tech products exports</td>
<td>81</td>
<td>-3.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Innovators</td>
<td>89</td>
<td>-1.5%</td>
<td></td>
</tr>
<tr>
<td>Employment in knowledge-intensive activities</td>
<td>93</td>
<td>-5%</td>
<td></td>
</tr>
<tr>
<td>SMEs introducing marketing/organisational innovations</td>
<td>98</td>
<td>-3.6%</td>
<td></td>
</tr>
<tr>
<td>SMEs introducing product or process innovations</td>
<td>95</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intellectual assets</td>
<td>89</td>
<td>26</td>
<td>63%</td>
</tr>
<tr>
<td>Community designs</td>
<td>95</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Community trademarks</td>
<td>320</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>PCT patent applications</td>
<td>18</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Linkages and entrepreneurship</td>
<td>100</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Innovative SMEs collaborating with others</td>
<td>42</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>SMEs innovating in-house</td>
<td>97</td>
<td>-7.4%</td>
<td></td>
</tr>
<tr>
<td>Firm investments</td>
<td>34</td>
<td>-4.1%</td>
<td></td>
</tr>
<tr>
<td>Non-R&amp;D innovation expenditure</td>
<td>84</td>
<td>-7.4%</td>
<td></td>
</tr>
<tr>
<td>R&amp;D expenditure in the business sector</td>
<td>5</td>
<td>-17%</td>
<td></td>
</tr>
<tr>
<td>Finance and support</td>
<td>41</td>
<td>-3.5%</td>
<td></td>
</tr>
<tr>
<td>R&amp;D expenditure in the public sector</td>
<td>47</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>Open, excellent and attractive research systems</td>
<td>67</td>
<td>3.3%</td>
<td>28%</td>
</tr>
<tr>
<td>Non-EL doctorate students</td>
<td>9</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Most cited scientific publications</td>
<td>64</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td>314</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>Youth with upper secondary level education</td>
<td>110</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>Population completed tertiary education</td>
<td>130</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>New doctorate graduates</td>
<td>17</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

*Excluding venture capital investments.

Source: EC
R&D expenditure by sector of performance and by source of funds

In 2013, the higher education sector received most of the government funding allocated for R&D, amounting to 56.2% (or €47.1m) of the total. Funds allocated to the government sector for R&D were 14.7% of the total (or €12.3m), while 13.1%, (or €11m) were allocated to the private non-profit sector.

Private sector expenditure on R&D

R&D expenditure by the private sector in Cyprus is amongst the lowest in the EU. In 2013, the business enterprise expenditure on R&D accounted for only 0.1% of Cyprus’ GDP (or €13.3m), while the EU-28 average was 1.3% (or €172.4b). Furthermore, in the period from 2007 to 2013, the R&D expenditure by the private sector fell by an average annual rate of 4.1%.
Finland, while Finland also spends the most on R&D (as a percentage of GDP). In 2011, the total number of researchers in Cyprus was 1,937, or 5.3 per 1,000 employed persons (vs Finland’s 57,549 researchers, or 23.4 per 1,000 employed persons).

Innovation and entrepreneurship dynamics

R&D expenditure versus researchers
Cyprus is amongst the lowest R&D spending countries in the EU. Additionally, the Cypriot R&D sector is amongst the ones with the fewest researchers per 1,000 employed persons in the EU. The country with the highest number of researchers is Finland, while Finland also spends the most on R&D (as a percentage of GDP).

Public policy on innovation

The main problems causing the poor performance of Cyprus in R&D relative to other EU countries of similar economic status, is the fragmentation of competences and the lack of coordination among stakeholders in formulating and implementing public policy.

Cypriot authorities have developed policies to help stimulate innovation, productivity and competitiveness in both the private and public sectors and to further enhance the ability of Cypriot companies to secure funding from Horizon 2020. Cypriot authorities have announced the following relevant actions:

- Development of a strategy for research and innovation
- Improvement of the research and innovation governance system
- Utilisation and commercialisation of research results
- Further utilisation of European competitive funding programmes, in particular Horizon 2020
The main public bodies and policies on innovation are briefly described below.

**Research Promotion Foundation (RFP)**
The Research Promotion Foundation was established by the Cypriot government in 1996, to promote the development of scientific and technological research in Cyprus, providing funding in the form of governmental grants. Indicatively, in 2013, RPF granted a total of €11.6m for research programmes, up by 11% or €1.2m compared to the year before.

Almost 50% of the funding was awarded to the University of Cyprus (UCY) (€5.6m), more than €900,000 to the Cyprus Institute of Neurology and Genetics, around €900,000 to the Cyprus University of Technology (CUT), approximately half a million to the Frederick Research Centre and the remaining €3.5m to other organisations (mainly private companies).

**Technology Service—Ministry of Energy, Commerce, Industry and Tourism**
The Technology Service of the Ministry was created to promote the introduction and upgrading of technology in industry to enhance product quality and competitiveness. Its main objectives are:

- Promotion of innovative entrepreneurship, high technology industry and applied research and development
- Technological upgrading of industry
- Promotion of standardisation and quality control in the Cyprus economy
- Improvement of laboratory and metrology infrastructure
- Implementation of the government policy for the preservation, promotion and development of traditional folk art and modern handicraft in Cyprus
- Implementation of the New Approach Directives regarding the marketing of products and the coordination for the enforcement of Market Surveillance
- Promotion of the establishment of the Cyprus Science and Technology Park

The actual expenditure of the Technology Service of the Ministry in 2013 amounted to €539,550, while the appropriated budget for the years 2014 and 2015 declined to €115,000 for each year.

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*Funding programmes with start date or completion date 2013*

Source: RPF

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2 They define the essential health and safety requirements that products shall meet when they are put on the market.
Business incubators
In 1998, the government enacted the “Industrial Policy” that is partly still in force. The “Industrial Policy” focused on the promotion of high technology R&D activities in the private sector and on the establishment of business incubators.

Business incubators aim to provide the necessary support to entrepreneurs, enabling them to develop innovative ideas and to commercialise products based on their innovations. The government has suspended the business incubator funding programme since 2007 citing doubts concerning its effectiveness in contributing to the growth of the Cypriot economy. Currently, there are five business incubators in Cyprus:

▶ Athena High Technology Incubator Ltd
▶ Diogenes High Tech Business
▶ Ermis Research and Incubator Centre Ltd
▶ Helix Business Incubator Ltd
▶ Promitheas Business Innovation Centre Ltd

Horizon 2020-Framework for Research and Innovation
Horizon 2020 is aimed at securing Europe's global competitiveness and it is the largest EU Research and Innovation Programme with €79b of funding available over 7 years (2014-2020).

Horizon 2020 funding*

Source: EC

Horizon 2020-Cyprus
Horizon 2020 presents tremendous opportunities for Cypriot researchers, academics and entrepreneurs. This flagship initiative aims to aid and encourage research and innovation projects, securing Europe's global competitiveness. Nearly €660m will be available for Cyprus over the period 2014 to 2020, providing much needed funds for the R&D sector and financial support to SMEs. The programme's thematic priorities include innovative waste treatment technologies, energy efficiency and public health. A major goal of Horizon 2020 is to improve the productivity and competitiveness of SMEs and to bring new products and services to the market.
Innovation and entrepreneurship dynamics

Innovative products and services scheme

The innovative and services scheme was introduced by the Ministry of Energy, Commerce, Industry and Tourism in 2012 and aims at promoting the development of innovative products and services. As a direct result of the scheme, 35 innovative products are expected to enter the market by the end of 2015. The scheme is also expected to help in the development of approximately 100 innovative products, services or processes and 30 cooperation agreements of companies with research centres. Private sector co-funding is expected to increase by €5m, supporting the establishment of 30 new SMEs.

Smart Specialisation Strategy for Research and Innovation

On 26 March 2015, the Cabinet of Ministers approved the country’s Smart Specialisation Strategy for Research and Innovation (S3CY), aimed at maximising the knowledge-based development potential of the Cyprus economy through targeted support to the 11 sectors where Cyprus is deemed to have a competitive advantage. The strategy includes an extensive analysis of the national research and innovation priorities (Cyprus National Reform Programme, 2015).

Developments (Innovation)

Establishment of National Committee for Research, Innovation and Technological Development (NCRITD)

Established in September 2013, the NCRITD Committee is composed of scientists from Cypriot Research and Academic Centres, as well as from the business sector. Its primary task was to evaluate the current research and innovation system and procedures in Cyprus, and to give recommendations for enhancing the effectiveness and efficiency of relevant public policy. The relevant proposal was submitted by the Committee to the government in March 2014.

The main provisions of the proposal are:

- Establishment of a new system structured on four levels:
  - Strategic
  - Political
  - Operational/Implementation
  - Research stakeholders
- Appointment of a Commissioner for Research Innovation and Entrepreneurship under the Ministry of Finance
- Establishment of an Advisory Committee
- To redesign the role of the Research Promotion Foundation

Funding for innovation activities

42.1% of Cypriot enterprises were involved in innovation activities during 2010-2012, significantly lower than the EU average for the same period (48.9%). In 2013, only 15.4% of the total R&D expenditure was attributed to businesses, with the majority attributed to Universities.

In 2012, 174 enterprises received public funding for innovation activities; 129 enterprises received funding from the Cypriot government and 37 got funding support from the EU. In addition, 62 enterprises were funded from local or regional authorities and only 2 received funding from the 7th Framework Programme.

In 2012, 174 enterprises received public funding for innovation activities; 129 enterprises received funding from the Cypriot government and 37 got funding support from the EU. In addition, 62 enterprises were funded from local or regional authorities and only 2 received funding from the 7th Framework Programme.

Public funding for innovation activities (2012)

Source: Eurostat

In 2012, 174 enterprises received public funding for innovation activities; 129 enterprises received funding from the Cypriot government and 37 got funding support from the EU. In addition, 62 enterprises were funded from local or regional authorities and only 2 received funding from the 7th Framework Programme.

The 7th Framework Programme for Research and Technological Development covered the period 2007 to 2013, having a total budget of over €50b. The budget (for the most part) was spent on grants to research actors all over Europe and beyond in order to co-finance research, technological development and demonstration projects.
Innovation and entrepreneurship dynamics

SMEs: the backbone of the Cyprus economy*

- 92.1% of Cypriot enterprises employ fewer than 10 persons
- 45.7% of the employed Cypriots were in SMEs

*EC estimates-2014 data
Source: CyStat, EC

New income tax incentive for investment in innovative companies
Under the revised provisions of the Income Tax Law passed by the House of Parliament in July 2014, any investment in innovative companies is tax deductible. The tax deduction is valid for both companies and individuals.

Cyprus Science Technology Park (STP)
The plan for creating an STP was approved in 2006 and has been on hold for almost a decade. The main objective of the STP is to attract both foreign and domestic companies operating in the fields of nanotechnology, biochemistry, energy, telecommunications, health services, the environment, IT and shipping. Last year, the government announced an initial expression of interest for any investors that wish to undertake the establishment and operation of the STP and a number of initial non-binding expressions of interest were received. On 29 July 2015, the Cabinet approved the creation of an STP at Pentakomo. According to the Ministry of Energy, Commerce, Industry and Tourism, the initial cost of the project is estimated at €3.5m, an amount that will cover the setup of the basic necessary infrastructures.

Cyta: Innovation Centre and Idea Development
Since 2014, the Cyprus Telecommunications Authority (Cyta) has included business innovation as an important pillar of the company’s strategy. The vision of the Innovation Centre and Idea Development is to make Cyta a champion of entrepreneurial innovation in Cyprus, helping to create an innovation ecosystem. Through strategic partnerships with private and public entities, business angels, universities and investors, the centre aims to convert ideas into start-ups, fueling the future development of both the organisation’s and the country’s.

Entrepreneurship in Cyprus
Despite a large educated human resources pool, a favourable tax regime and one of the best lifestyle destinations in the world, Cyprus has made scant progress in the entrepreneurship field. After the most recent financial crisis, the Cyprus government has sought a more active role in supporting entrepreneurship and has introduced a number of initiatives that (1) address the development financing of start-ups and small and medium sized enterprises (SMEs) and (2) provide fiscal incentives for private sector investment in innovation.

SMEs
The Cyprus economy is dominated by SMEs. In 2014, 99.8% of total enterprises or 38,412 in real terms were SMEs, while the vast majority of Cypriot enterprises employ fewer than nine persons (2014: 92.1%). In turn, SMEs generate a large share of jobs in Cyprus. According to EC estimates, in 2014 Cypriot SMEs employed 159,891 persons or 45.7% of the total employed persons in Cyprus.

In 2011, the total enterprises’ turnover accounted for 136.7% of Cyprus’ GDP or €26.6b in real terms, while the SMEs’ turnover accounted for 80.5% of the total enterprises’ turnover (or €21.5b). The sector that contributed most to the SMEs’ turnover was the wholesale and retail trade, accounting for €11b or 51.1% of the total turnover generated by SMEs.

An innovative company, under the provisions of the new Law, is any company that can prove that in the near future it can develop new or substantially improved products and services in connection with the best products, or market processes that exhibit the risk of technological or industrial failure. Otherwise, innovative company is any company where the R&D expenses of the beneficiary represent at least 10% of its total operating expenses in at least one of the 3 years preceding the granting of the aid or in the case of a start-up enterprise without any financial history, in the audit of its current fiscal period, as certified by an external auditor.

As per EC estimates for the year 2014.
Compared to its EU peers, Cyprus has a favourable corporate tax regime (12.5%) and a wide network of double tax treaties with 58 countries (see table “Double taxation agreements”, p.15). Taken together with the relatively simple and straightforward incorporation procedure, these tax advantages have established Cyprus as an important regional business hub.

Favourable corporate tax regime

SMEs turnover

Since 2008, the number of Cypriot SMEs recorded a sharp decline, decreasing from a total of 47,241 enterprises to 45,415 in 2011. According to European Commission (EC) estimates, the number of Cypriot SMEs will further decline to 38,917 in 2015, a 17.6% drop since 2008. On the contrary, the average number of EU-28 SMEs increased by 1.8% for the 2008-2015 period.

Looking at the gross value added at factor costs\(^6\), the SME sector contributed 36% to the total gross value added in 2011. For the period 2008-2011, the gross value added by Cypriot SMEs declined by €931.2m. According to EC estimates, the gross value added by Cypriot SMEs will continue its downward trend in 2014 and 2015, declining to €7.4b in 2015 from a high of €7.4b in 2008.

SMEs turnover by sector

Gross value added by SMEs

\(^6\) Gross value added is the difference between output and intermediate consumption. As an aggregate measure of production, gross domestic product (GDP) is equal to the sum of the gross value added of all resident institutional units (i.e. economic sectors) engaged in production, plus any taxes and minus any subsidies, on products not included in the value of their outputs.
Public policy promoting entrepreneurship

Amongst the key priorities of government policy is the promotion and strengthening of entrepreneurship in Cyprus. In 2014, a total amount of €3.1m was allocated towards encouraging women and youth to develop their own businesses. 170 enterprises benefited from this initiative, creating approximately 400 new jobs.

Various other schemes were launched in 2014, including a “Scheme providing incentives for employment of the unemployed” and a “Scheme for practical training combined with incentives for employment in enterprises of the retail sector employing 1-49 employees”.

Entrepreneurship funding

JEREMIE

JEREMIE is a financial product developed by the EC and the European Investment Bank (EIB) and is represented by the European Investment Fund (EIF). The product was launched in Cyprus in 2011. Bank of Cyprus (BOC), the Cypriot government and the European Regional Development Fund (ERDF) co-finance new loans for amounts of up to €100,000 towards SMEs, whose immediate objective is the support, expansion and strengthening of those businesses.

Through JEREMIE, 400 Cypriot SMEs received a total amount of €21.4m (as at 30 December 2014). These SMEs benefit from lower interest rates and extended repayment and grace periods, significantly increasing their chances of survival, allowing them to invest more time and money in “higher risk” innovative activities.

Other funding schemes

Hellenic Bank Cyprus, in collaboration with the EIB offers a flexible funding scheme with favourable terms in order to boost entrepreneurship. Cypriot enterprises are eligible for applying for loans of at least €600,000. The Cooperative Central Bank offers a similar scheme, targeting SMEs (working capital or special projects). Beneficiaries have access to loans for amounts up to €500,000 with favourable funding terms.

The Cyprus Entrepreneurship Fund (CYPEF)

In addition to JEREMIE, CYPEF was established by the Republic of Cyprus in 2014 to support and strengthen entrepreneurship in the country, further enhancing SMEs’ access to finance. The funds to be loaned out, at favourable lending conditions regarding the repayment period and interest rates, are financed by the EIF. The €100m provided under CYPEF will be equally distributed by EIF’s selected financial intermediaries, which will match this amount effectively providing €200m to eligible Cypriot SMEs. BOC announced in April 2015 that it will distribute €60m of the budgeted amount, with a maximum loan amount to a single entity of €1.5m and a maximum repayment period of 12 years. More funds may become available in the future, subject to demand for the current programme.

Trade finance facility

This facility is geared towards supporting the foreign trade activities of SMEs. Under this instrument, the EIB offers guarantees to foreign banks providing trade finance to Cypriot SMEs. For example, BOC in collaboration with the EIB, is offering a credit facility of up to €50m for SMEs with an objective of boosting the volume of trade transactions. BOC’s trade finance facility is available until 31 December 2015, or until the funds are exhausted.

Indicatively, for the period 2010-March 2015, a total of €46m of European loans with favourable terms were given to 430 enterprises by BOC.
Support programmes for innovative SMEs

Amongst the main goals of Horizon 2020 is the active support of SMEs through direct financial support, as well as indirect support in an effort to increase their innovation capacity.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Aim</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Horizon 2020 collaborative projects</td>
<td>Collaborative research to solve EU prioritised challenges</td>
<td>Specified in the work programme</td>
</tr>
<tr>
<td>Horizon 2020 SME instrument</td>
<td>Addresses the financing needs of internationally oriented SMEs in implementing high risk, high potential ideas</td>
<td>€0.5-2.5m</td>
</tr>
<tr>
<td>Horizon 2020 Eurostars</td>
<td>Supports transnational collaborative research projects</td>
<td>€150,000-170,000</td>
</tr>
<tr>
<td>Fast track to innovation pilot</td>
<td>Fully bottom up measure to promote close to market innovation activities in any area of technology or application</td>
<td>less than €3m</td>
</tr>
<tr>
<td>Horizon 2020 Marie Sklodowska Curie Actions</td>
<td>International and inter-sector collaboration through research and innovation staff exchanges and training networks</td>
<td>Specified in call</td>
</tr>
<tr>
<td>COSME (Programme for the competitiveness of enterprises and SMEs)</td>
<td>Aims at facilitating access to finance for SMEs and at creating a favourable environment enhancing SME creation and growth</td>
<td>€2.3b (total EU budget)</td>
</tr>
</tbody>
</table>

National support programmes for innovative SMEs (open status)

<table>
<thead>
<tr>
<th>Programme</th>
<th>Aim</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPF patent</td>
<td>Means for protecting intellectual property rights</td>
<td>less than €20,000</td>
</tr>
<tr>
<td>Grants for business innovation</td>
<td>Aid SMEs and startups to produce innovative products and services which will be utilised in the production of their products</td>
<td>€150,000-170,000</td>
</tr>
<tr>
<td>Grants for young entrepreneurs</td>
<td>Develop, support and promote entrepreneurship among young people (from 20 to 40 years old), who wish to create a business</td>
<td>more than €50,000-70,000</td>
</tr>
</tbody>
</table>

Source: Business support centre Cyprus, Information portal for funding programmes

Developments (Entrepreneurship)

Start-up ecosystem

One-stop shop

Since 2007, the institution of One-stop shop has been adopted by the government, aimed at facilitating, accelerating and simplifying the process of setting up a business. The following services are offered to the investors:

- Provision of information and guidance to potential investors and ongoing service to existing investors
- Registration of a company
- VAT registration
- Income tax registration
- Issuance of temporary residence and employment permits
Innovation and entrepreneurship dynamics

Point of single contact Cyprus
In order to facilitate the establishment of businesses in the services sector and the cross border provision of services within the internal EU market, the Ministry of Energy, Commerce, Industry and Tourism instituted the Point of Single Contact (PSC Cyprus). The PSC Cyprus portal serves businesses and entrepreneurs, whether established in Cyprus or in other EU member states, providing comprehensive information relating to the procedures and formalities required for the access and exercise of service activities in Cyprus, online submission of application forms, tracking of the progress of applications submitted and receipt of decisions.

The Cypriot Enterprise Link (CEL)-The Cyprus Business Angels Network (CyBAN)-Chrysalis Leap
The Cypriot Enterprise Link is a youth-led organisation whose aim is to connect and support the Cypriot entrepreneurial talent in order to form a local and global entrepreneurial network supported by events, meetups, workshops and projects. In October 2013, CEL became affiliated with CyBAN. CyBAN connects innovating and fast-growing companies to equity finance through their membership of experienced angel investors.

Another affiliate company is Chrysalis Leap, which provides knowledge and training to start-ups, helping them build on their ideas from development through to implementation. According to Chrysalis “they nurture and hold the ladder for others to climb, support and kick-start ideas”.

IDEA-Innovate-develop-excel-accomplish
On 28 May 2015, Bank of Cyprus together with the Cyprus International Institute of Management (CIIM) established the IDEA programme. The IDEA is a newly established office area that offers support to start-ups with free accommodation, training and advice in order to become self-sustainable in the market.

StartupGrind Cyprus
Startup Grind is a global startup community designed to educate, inspire, and connect entrepreneurs, and is powered by Google for Entrepreneurs. They host monthly events in more than 150 cities and 65 countries featuring successful local founders, innovators, educators and investors who share personal stories and lessons learned on the road to building great companies. Their aim is to build a connected network of vibrant startup communities to help fuel innovation, economic growth and prosperity at the local level. The Cyprus Chapter was launched in 2012.

Yubiz-Youth Business and Entrepreneurship Support Platform
Yubiz is a new, web-based, ecosystem geared to help young entrepreneurs cooperate and initiate their professional career, get started with their ideas and convert them into real and plausible concepts and businesses.

Technology Transfer Centre
Within the context of reconstruction of the framework for the growth of innovation and entrepreneurship, the development of e-commerce and relevant grant schemes, the Ministry of Energy, Commerce, Industry and Tourism is expected to publish a call for tender to search for consultants to investigate the Cypriot entrepreneurial environment.

The principal aim of this initiative will be the development of a Technology Transfer Centre, interconnecting public policies and programmes with the private sector in order to not only enhance startups, but to also strengthen the existing enterprises with technological infrastructures. Under this framework, private sector organisations will filter all the submitted applications and targeted actions will be undertaken, in an effort to direct government resources into the more productive and future-orientated ideas.

The Cyprus entrepreneurship ecosystem
Although entrepreneurship is, by definition, the process of starting a business, and innovation the process of creating something new or enhancing an already established process, the two are closely related. There is a vast number of entrepreneurial enterprises engaged in innovative activities in an effort to make their products more attractive to consumers. A developed ecosystem that encourages both entrepreneurship and innovation is needed to nurture such activities and help promote growth and economic prosperity.
A sample of entrepreneurs

Engino Toys
The company was established in 2004, with the purpose of helping pupils build technological models in an easy and creative way. Research grants from local and EU funds helped bring a 3-year research project to market with a range of innovative products launched in 2007. The company is recording significant growth and currently has a presence in more than 15 countries.

Trojantec
Trojantec is a clinical stage biopharmaceutical company focused on creating and developing innovative oncology therapeutics. Trojantec is one of a few companies in the world developing drugs that not only attack cancer cells, but more importantly, destroy cancer stem cells. Through research and development in this innovative, exciting field, they wish to achieve the next order of magnitude of efficacy against cancer.

NIPD Genetics
NIPD Genetics Ltd is a privately held start-up company aimed at designing, developing and manufacturing non-invasive vitro diagnostic tests for genetic diseases and syndromes during the early stages of pregnancy. The company was founded in October 2010 and has recently announced the international launch of its first product for the non-invasive prenatal testing for the identification of genetic disorders like Down Syndrome (trisomy 21), Edwards Syndrome (trisomy 18), and Patau Syndrome (trisomy 13). The company’s flagship service is called Veracity and can be performed from 10 weeks of pregnancy.

PALUPA Medical
The company was founded in 2006 and aimed at the design, testing and commercialisation of a pioneering nutritional-drug formulation (nutraceutical) product for the treatment of Multiple Sclerosis (MS). The company launched its first commercial product in 2014 and is currently carrying out a phase III randomised, placebo-controlled, double-blind, multicenter clinical trial (the “MINERAL” study) of efficacy and safety, which will run until the end of 2016.

Think Big Group Ltd
Think Big Group is a corporation engaged in a wide spectrum of activities that include advertising, import, export and retail activities. The company recently introduced a patentable safety box, named “Safey”, being awarded for this innovation as well.

Teach ‘n Go
Teach ‘n Go is a simple school administration system that helps small training businesses manage their course schedule, student and teacher information and even automates billing. The portal was created with a view to minimise the time spent on administration, and maximise the time spent on teaching.

CYPET Technologies
CYPET Technologies has designed, developed, tested and commercialised five machine models, for the production of PET bottles and jars, applying its own innovative technology, which has been patented globally. The CYPET machine models are single-stage PET machines, which redefine the economics of PET processing. Following the successful product development and testing of the machines, CYPET is currently launching its products in international markets.

RTD TALOS LTD
RTD TALOS LTD is a business consulting company with demonstrated experience in the field of project management of large European research projects. Since its foundation, it has taken part in more than 50 European research projects. TALOS actively supports innovative SMEs in Cyprus and Europe for the preparation of large research proposals, the drafting of business plans and feasibility studies. As a result, TALOS maintains strong links with the innovation ecosystem in Cyprus and Europe. It is the coordinator of CyBAN and actively participates in the attraction and review of innovative projects and ideas to be presented to potential investors. Additionally, TALOS is the founder of the ERMIS business incubator.

Cyprus Research and Innovation Centre (CyRIC)
Cyprus Research and Innovation Centre is a Cyprus-based private company with the strategic aim of becoming an important regional innovation centre, developing novel products for the world markets. Its personnel boasts vast experience in research and innovation projects with participation in more than 30 funded R&D projects, worth over €40m. Currently, CyRIC coordinates several FP7 projects with a budget of over €60m and executes numerous out-sourced projects for Cypriot industrial partners.

Wargaming.net
Wargaming.net is a multi-award-winning online game developer and publisher and one of the leaders in the free-to-play Massive Multiplayer Online (MMO) market, with over 100 million subscribers worldwide, offices in 17 countries across the globe, 4,000 staff and an expanding portfolio of legendary war games available on PC, console and mobile.

DIYFUL
DIYFUL is an online platform that offers useful and innovative tools needed for a specific job to its members, providing users all the information needed for a DIY task in terms of materials and cost. The idea was given shape and form during the Startup Weekend Cyprus in December 2013.

COVVE
Covve is an online application that reinvents the professional address book: it empowers contact owners and enables companies to extract business value from their informal contact network. Through an interface for contact network visualisation, Covve enables users to have an anonymous view of other users’ contacts. Covve’s tools also make sure that users’ address books are always as complete and up to date as possible.
Definitions

**SMEs**: The category of micro-small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50m, and/or an annual balance sheet total not exceeding €43m.

**Value added at factor costs**: It is the gross income from operating activities after adjusting for operating subsidies and indirect taxes. It is an indicator in the domain of structural business statistics.

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<tr>
<th>Innovation indicators</th>
<th>Indicator</th>
<th>Definition</th>
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<td>Community designs</td>
<td>Number of new community designs applications</td>
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<tr>
<td>Community trademarks</td>
<td>Number of new community trademarks applications</td>
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<tr>
<td>Employment in knowledge-intensive activities</td>
<td>Number of employed persons in knowledge-intensive activities in business industries. Knowledge intensive activities are defined, based on EU Labour Force Survey data, as all NACE Rev.2 industries at 2-digit level where at least 33% of employment has a higher education degree (ISCED5 or ISCED6)</td>
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<td>Innovative SMEs collaborating with others</td>
<td>Innovative SMEs collaborating with others</td>
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<td>International scientific co-publications</td>
<td>Number of scientific publications with at least one co-author based abroad (where abroad is non-EU for the EU28)</td>
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<td>Knowledge-intensive services exports</td>
<td>Exports of knowledge-intensive services are measured by the sum of credits in EBOPS (Extended Balance of Payments Services Classification)</td>
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<td>Licence and patent revenues from abroad</td>
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<td>Value of medium and high-tech exports, in national currency and current prices.</td>
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<td>Most cited scientific co-publications</td>
<td>Number of scientific publications among the top-10% most cited publications worldwide</td>
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<td>Non-EU doctorate students</td>
<td>For EU member states, is the number of doctorate students from non-EU countries (for non-EU countries: number of non-national doctorate students)</td>
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<td>Non-R&amp;D innovation expenditures</td>
<td>Sum of total innovation expenditure for enterprises, in thousand Euros and current prices excluding intramural and extramural R&amp;D expenditures</td>
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<td>Patent Cooperation Treaty (PCT) patent applications</td>
<td>Number of patent applications filed under the PCT, at international phase, designating the European Patent Office (EPO). Patent counts are based on the priority date, the inventor's country of residence and fractional counts</td>
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<td>Number of PCT patent applications in Environment-related technologies and Health</td>
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<td>Population completed tertiary education</td>
<td>Number of persons in the 30-34 age class with completed first or second stage of tertiary education</td>
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<td>Public-private co-publications</td>
<td>Number of public-private co-authored research publications. The definition of the &quot;private sector&quot; excludes the private medical and health sector</td>
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<tr>
<td>R&amp;D expenditure in the business sector</td>
<td>All R&amp;D expenditures in the business sector</td>
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<tr>
<td>R&amp;D expenditure in the public sector</td>
<td>All R&amp;D expenditures in the government sector (GOVERD) and the higher education sector (HERD)</td>
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<tr>
<td>Sales of new to market and new to firm innovations</td>
<td>Sum of total turnover of new or significantly improved products, either new to the firm or new to the market, for all enterprises</td>
<td></td>
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<tr>
<td>SMEs innovating in-house</td>
<td>Sum of SMEs with in-house innovation activities.</td>
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<tr>
<td>SMEs introducing marketing or organisational innovations</td>
<td>Number of SMEs who introduced a new marketing innovation or organisational innovation to one of their markets</td>
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<tr>
<td>SMEs introducing product or process innovations</td>
<td>Number of SMEs who introduced a new product or a new process to one of their markets</td>
<td></td>
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<tr>
<td>Youth with upper secondary education</td>
<td>Number of young people aged 20-24 years having at least upper secondary education attainment level</td>
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</tbody>
</table>

Source: 2015 Innovation Union Scoreboard
Abbreviations

BOC-Bank of Cyprus
CCB-Cooperative Central Bank
CEL-Cypriot Enterprise Link
CIM-Cyprus International Institute of Management
CUT-Cyprus University of Technology
CyBAN-Cyprus Business Angels Network
CyRIC-Cyprus Research and Innovation Centre
EC-European Commission
EIB-European Investment Bank
EIF-European Investment Fund
ERDF-European Regional Development Fund
GBAOFD-Government budget appropriations or outlays for R&D
IT-Information Technology
MMO-Massive Multiplayer Online
PCT-Patent Cooperation Treaty
RFP-Research and Promotion Foundation
R&D-Research and Development
RTDI-Research, technological development and innovation
SMEs-Small and Medium sized Enterprises
STP-Science Technology Park
UCY-University of Cyprus

Country codes

AT: Austria  HU: Hungary
BE: Belgium  IE: Ireland
BG: Bulgaria  IT: Italy
CH: Switzerland  LT: Lithuania
CY: Cyprus  LU: Luxembourg
CZ: Czech Republic  LV: Latvia
DE: Germany  NL: Netherlands
DK: Denmark  NO: Norway
EE: Estonia  PL: Poland
EL: Greece  PT: Portugal
ES: Spain  RO: Romania
FI: Finland  SE: Sweden
FR: France  SI: Slovenia
HR: Croatia  SK: Slovakia

Double taxation agreements

Armenia  Malta  Belize  Mauritius
Austria  Azerbaijan  Montenegro  Belgium  Moldova
Belgium  Bosnia  Norway  Bulgaria  Poland
Canada  Portugal  Qatar  China  Romania
Czech Republic  Russia  Denmark  San Marino
Estonia  Seychelles  Finland  Singapore  France
Georgia  Slovakia  Germany  South Africa
Greece  Spain  Hungary  Sweden  Iceland
Ireland  Swiss Confederation  India  Syria
Iran  Tajikistan  Iraq  Thailand  Italy
Kingdom of Bahrain  The States of Guernsey  Kuwait  United Arab Emirates
Kyrgyzstan  United Kingdom  Lebanon  USA
Lithuania  Uzbekistan

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