



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Country factsheet

Cyprus

An initiative of the European Union





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Introduction



This document presents an overview of the cluster policy in Cyprus. Given its importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [European Semester Country Report for Cyprus](#).

The European Semester was an instrument introduced to coordinate the EU Member States economic policies and address the economic challenges faced by the EU. Its goals are “to ensure sound public finances, to prevent excessive macroeconomic imbalances in the EU, to support structural reforms to create more jobs and growth, and to boost investment”. Thus, it focuses on the following areas:

business environment; financial and fiscal stability; green economy; public administration; labour market and skills; and, social protection and cohesion.

The COVID-19 pandemic has caused an unprecedented economic shock to the European and global economy. In response, policymakers at EU and national level have acted decisively and at short notice to make available very significant financial resources, notably through the Recovery and Resilience Facility, to tackle the threat of a prolonged downturn. [National recovery and resilience plans](#) have been drafted in each Member State to ensure a recovery that addresses the challenges identified in the European Semester. In Cyprus, clusters are directly mentioned in the National recovery and resilience plan in the priority area aiming to improve access to finance for SMEs. The enhancement of competitiveness will be achieved through the creation and development of clusters.

01

Industrial ecosystems and cluster landscape



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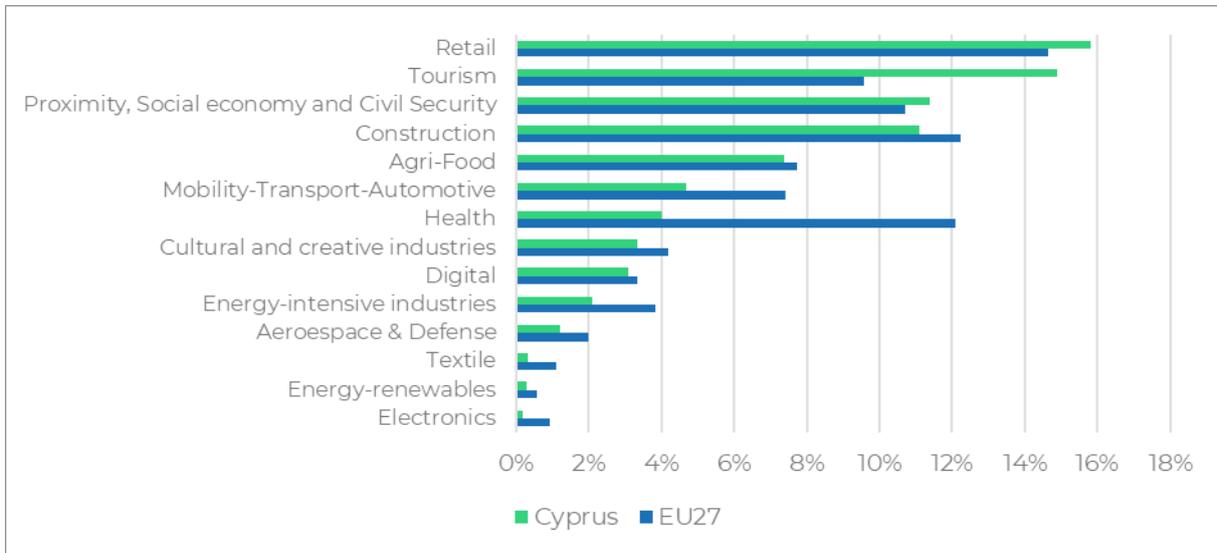


1. Industrial ecosystems and cluster landscape

Employment in the 14 ecosystems in the country

As part of its Industrial Strategy (March 2020), the European Commission has selected 14 industrial ecosystems that are particularly relevant in Europe and encompass all players operating in a value chain. The following graph shows the proportion of the country’s employment accounted for by each ecosystem, as well as the equivalent figure for the EU27 on average. The ecosystems are ordered, from top to bottom, according to the amount of employment in the country. When the bar for the country is higher than that of the EU27, it indicates that the country is more specialised in that ecosystem.

Graph 1: Employment in the ecosystems



Source: Own elaboration from Eurostat and National Statistical Offices



Regionally relevant nodes

Economic activity, and therefore employment, is not equally distributed in all regions. Specialisation can be measured through Location Quotients (LQ) that reflect the relative specialisation of an activity in a region compared to the EU average. If the LQ for a given activity-region combination is above 1.5, it is considered a specialisation node, and if the activity accounts for at least 1 % of total employment in the region, it is considered regionally relevant. The following tables shows the total number of regionally relevant specialisation nodes in each region in the country and identifies the top five most specialised of these nodes. The first table focuses on the 88 NACE 2-digit activities or sectors, totalling 10 in the country, while the second table is based on the 14 ecosystems, which total 1 in the country.

Table 1: Regionally relevant sectoral nodes

Region	Number of nodes	Node 1	Node 2	Node 3	Node 4	Node 5
CY: Cyprus	10	I55 - Accommodation	K66 - Auxiliary financial activities	T97 - Households as employers act.	H52-Warehousing & support for transportation	O84 - Public adm., defence, soc. security

Source: Own elaboration from Eurostat and National Statistical Offices

Table 2: Regionally relevant ecosystem nodes

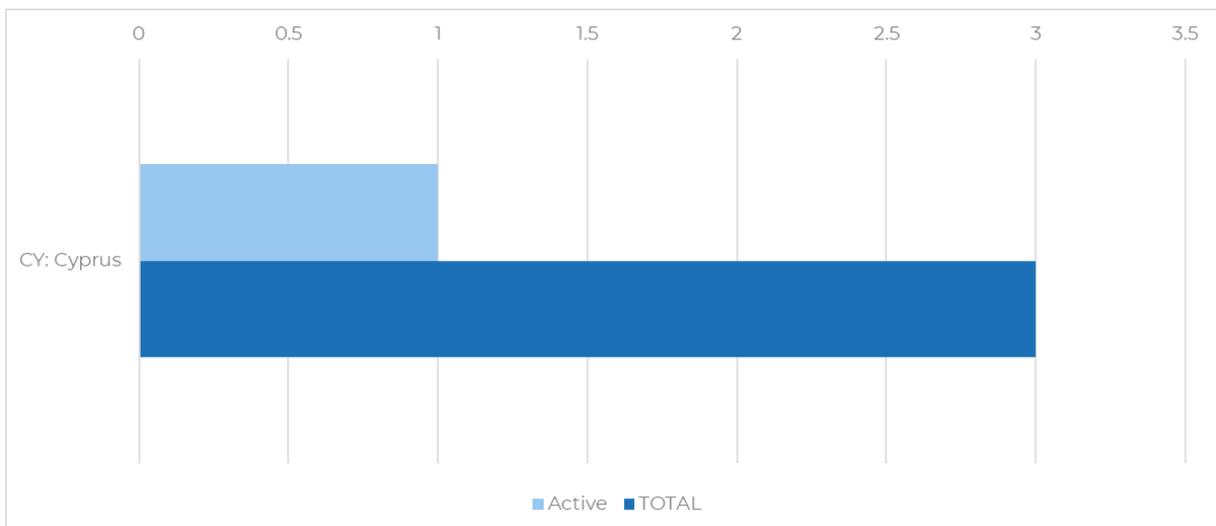
Region	Number of nodes	Node 1
CY: Cyprus	1	Tourism

Source: Own elaboration from Eurostat and National Statistical Offices

Cluster organisations in the country

There are 3 cluster organisations registered on the ECCP in the country, 1 of which can be considered active on the ECCP, having updated its profile during the first half of 2021. The following graph shows the presence of cluster organisations in the country.

Graph 2: Cluster organisations profiled and active on the ECCP



Source: Own elaboration from Eurostat and National Statistical Offices

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National cluster policy, programmes and initiatives



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2. National cluster policy, programmes and initiatives

Policy type:	Broad policy (industrial policy)
Policy name:	The New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]
<p>POLICY OBJECTIVES</p> 	<p>Strengthening cooperation between companies or industry and RTDI actors</p> <p>Increasing competitiveness and boosting scale up of SMEs</p> <p>Supporting internationalisation activities</p> <p>Supporting the creation of new cluster organisations</p> <p>Fostering innovation and strengthening innovation ecosystems</p> <p>Fostering R&D activities, technology development and implementation</p> <p>Promoting entrepreneurship, start-ups and spin-offs</p> <p>Promoting social and sustainable economy and other solidarity-based initiatives</p> <p>Promoting employment and upgrading skills and competences</p> <p>Enhancing territorial cohesion (through RIS3)</p> <p>The broad cross- and multi-sectoral policy framework "The New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" is the most recent framework developed by the Cypriot Government (Ministry of Energy, Commerce and Industry). The paper is aiming at finding common solutions to make digitization of industry a reality through shared solutions and learning in Cyprus. In that context, the creation and operation of clusters and reinforcement of automation, ICT and artificial intelligence are some of the main pillars of the New Industrial Policy. This policy framework will tackle the long term structural problems of Cyprus' economy such as the small size of production, the skills gap between the available human resources in relation to the needs of the industry and the reduced degree of cluster cooperation. The creation of clusters in production, distribution, export will increase the competitiveness of SMEs.</p>



<p>POLICY FOCUS</p> 	<p>Cross-sectoral</p> <p>The "New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" integrates a cross-sectoral priority areas playing a major role in the new economic development of Cyprus. The aim is to promote innovative industrial processes in different fields with a significant focus on energy, circular economy, research, telecommunications, transport and in general all possible sectors of production. One core field is the circular economy i.e. resource use and waste generation aiming at reducing water demand and to addressing the challenges posed by the gradually increasing costs of raw material, field that can be also supported by the LIFE programs, Horizon 2020. The fields supported provide possibilities of promoting industrial coexistence through new invitations or new innovation projects.</p>
<p>RESPONSIBLE AUTHORITIES</p> 	<p>Both drafting and implementation</p> <p>Oversees the implementation</p> <p>The Industry and Technology Office of the Ministry of Energy, Commerce and Industry will lead and coordinate the drafting process of the cluster policy framework. The broad policy instrument of "The New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" was led by Ministry of Commerce, Energy, Industry and Tourism. For the implementation, the corresponding ministry will be responsible.</p>
<p>BENEFICIARIES</p> 	<p>SMEs</p> <p>Cluster organisations</p> <p>Start-ups</p> <p>Research organisations</p> <p>Academic institutions</p> <p>Large firms</p> <p>Technology centres</p> <p>The broad cross- and multi-sectoral policy framework "The New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" is the most recent instrument to support entrepreneurial ecosystem and provide a wide range of government assistance. The support of clusters is mentioned mainly in the field of innovation and R&D (action 1.6, nr. 7). The partnership of high technology companies, academic and research Institutions and other Institutions in specific technological fields, in the form of clusters is promoted. Innovation and academic stakeholders need to be interlinked with industrial actors (with a focus on SMEs and start-ups). The interconnection and opportunities that will derive of the synergies from a diversified portfolio of actors such as businesses with universities and research centers is generally acknowledged.</p>



INSTRUMENTS 	Financial	Funding collaboration initiatives
	Technical assistance	No non-financial instruments
	Explanation	The "New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" will support the cluster implementation. The funding will be achieved through the implementation of various schemes co-financed by the European, Structural and Investment Funds and the whole amount of funding is estimated to overpass 100million. However, no evidence for concrete financial support for the actions described in the roadmap for 2019-2022 is provided. Technical assistance is also not addressed in the form of general advisory services. The initiative is only referring to the boosting of partnerships between research institutions, SMEs, start-ups and academy in a broad level without the necessary implementation steps.
HISTORY 	Period	Limited period
	Ending year (<i>for policies with limited period</i>)	2030
	Starting year	2019
	Explanation	"The New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" was approved in 2019 for the agenda between 2019 and 2030. In parallel, it provides a roadmap with solid actions to be implemented until 2022.
BUDGET 	Overall	
	Annual	-
	Source of funding	"The New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" does not outline specifically the government's commitment of resources for clusters. The ambition for the whole program is to overpass 100 million euros.
	Availability	No policy evaluation



<p>POLICY</p> <p>EVALUATION</p> 	<p>Results</p>	<p>There is no evaluation plan of "The New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" yet concerning cluster policy design or implementation.</p>
<p>POLICY ALIGNMENT WITH THE EU</p> <p>PRIORITIES</p> 		<p>Green economy</p> <p>Digitalisation</p> <p>Social inclusion</p>

03

State of play of cluster policy





3. State of play of cluster policy

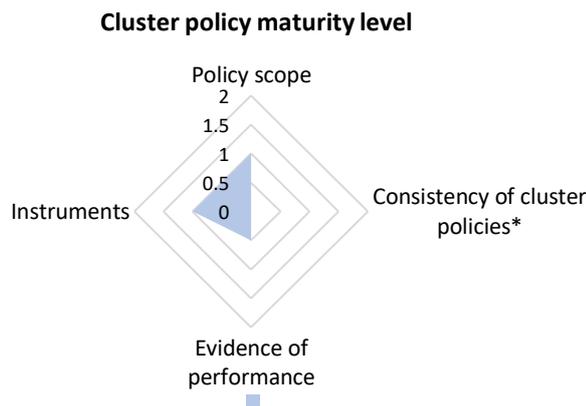
The data below illustrates how the country ranks in terms of maturity of cluster policy. The maturity index is based on a combination of factors presented in Chapter 2 and which are scored based on their existence:

- **Policy scope:** whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies (existence of broader policies = 1 point; existence of targeted cluster policies = 2 points)
- **Consistency of cluster policies:** assessment of the duration and experience of the country in doing cluster policies. This dimension assesses only existing cluster policies and not broader policies (no cluster policies available = 0 points; < 10 years of experience or > 10 years (but interrupted) = 1 point; > 10 years (but with clear continuity = 2 points)
- **Evidence of performance:** the existence of monitoring and evaluation mechanisms determines the degree of policy development in the country (no evaluations = 0 points; existence of evaluations of past policies or in-itinere = 0.5 points; existence of ex-ante and/or ex-post evaluations = 0.5 points)
- **Instruments:** whether the policies provide any instruments to support the policy implementation, being these financial and/or technical assistance (1 point for each type of instrument available)

It is important to note that the maturity does not reflect the performance of a country, but only the degree of development of their cluster policy at the moment when the data was collected (2020). The maturity index illustrates how the country scores for each of these four dimensions (policy scope, consistency of cluster policies, evidence of performance and instruments) compared to the maximum score that they can reach.

	Cyprus	Maximum score
Policy scope	1	2
Consistency of cluster policies*	0	2
Evidence of performance	0.5	1
Instruments	1	2

** This dimension is scored solely if the country has a dedicated cluster policy and it assesses only cluster policies*



State of play of cluster policy in the country

Policy evaluation (for terminated policies)

No policy evaluation

In Cyprus; there is no specific policy framework on the operation of clusters or on the concept of cluster-based economic development yet in Cyprus. However, there are important policy documents of the Cypriot government concerning industrial renewal, entrepreneurial ecosystem and business innovation focusing on the SMEs collaboration with different stakeholders in various sectors. Concerning the broad industrial policy of The New



	Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]" which is supporting cluster agenda, it is mentioned that audit processes will be constant and the evaluation will take place on an annual basis through a monitoring mechanism that will be set up.
Policy approach in the country	Broad-based framework policies to support cooperation effectiveness
Continuity	There is still a lack of a supporting framework for clustering policy in Cyprus. However, there is one core instrument through the "The New Industrial Policy of Cyprus 2019 – 2030 [Action Plan for period 2019 - 2022]". Before the aforementioned initiative, there have been published two significant policy documents that present the official approach on the importance of clustering in Cyprus ("National Policy Statement for the Entrepreneurial Ecosystem" (NPSEE) and the "Smart Specialization Strategy for Cyprus" (S3CY), both of which were adopted in 2015). In that context, strengthening industry clusters is a constant key priority along with innovation- friendly business environments for SMEs, research infrastructures, centres of competence, university–enterprise collaboration and financial instruments.
Consistency	No cluster policy available Until today, there is no national cluster policy in Cyprus. Broader policies are the framework for the design and implementation of a future cluster policy framework. Most of the clusters up-to-date have been created as outputs of research programs. For example, the Green Cluster, that aimed at the identification of opportunities and market needs in the green sector in Cyprus. Another example is linked to large scale international initiatives such as in the case of the Cypriot cluster as part of Smart Cities Mediterranean Cluster. The national scale cluster ambition for a particular sector to be noted is the creation of the Cypriot Maritime Cluster. Last, in parallel with the national policy instruments, European funding through projects also build to the cluster policy agenda. For example, through the implementation of the Interreg-med project 'Social and Creative', the Ministry of Energy, Trade and Industry of Cyprus has organized meetings with key stakeholders of the creative business community aiming to the creation of a national cluster under the proposal "The creative industry as a multiplier of innovation and competitiveness". Creative companies in cooperation with industrial actors and the public sector will be liaised. Other European programmes that are currently open also support cluster formation and operation such as relevant calls of interest for the creation and operation of European Digital Innovation Hubs (EDIHs) Initiative of the EU Digital Europe Program (DEP).

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