



JRC SCIENCE FOR POLICY REPORT

# RIO Country Report 2017: Cyprus

*Research and Innovation  
Observatory country  
report series*

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2018



Joint  
Research  
Centre

## Summary

This **first draft of the R&I Observatory country report 2017** provides a brief analysis of the Cypriot R&I system covering the economic context, main actors, funding trends & human resources, policies to address R&I challenges, and R&I in national smart specialisation strategy. **Data is from Eurostat, unless otherwise referenced and is correct as at end November 2017.** Data used from other international sources is also correct to that date.

### Key findings

Cyprus saw GDP growth of 3.0% in 2016. Growth is forecast to increase to 3.5% in 2017 before easing to 2.9% in 2018 and 2.7% in 2019. The public finances are expected to show a surplus of 1.1% in 2017. Unemployment is expected to fall to 9.3% in 2019. Inflation is forecast to a modest 1% in 2017 increasing slightly to 1.4% in 2019 due to increasing wage pressures.

The R&D intensity of Cyprus is the third lowest in the EU at only 0.5% of GDP. This is due to the pre-dominance of non R&D intensive service sectors in the economy with manufacturing only accounting for about 5% of Gross Value Added. Nevertheless there are some exceptions such as pharmaceuticals.

### Challenges for R&I policy-making in Cyprus

- Establish a consolidated R&I governance structure and evaluation mechanism of R&I policies for strategic planning and evaluation of R&I policies and funding schemes.
- Exploit research results for creating economic and societal impact: The exploitation of research results in Cyprus is at a very low level. The Global Entrepreneurship Monitor (GEM) report for 2016 ranks Cyprus as 41st out of 66 countries in R&D transfers for business.
- Enhance R&I activity in the business enterprise sector: R&D expenditure in the business enterprise sector of Cyprus is one of the lowest in Europe at 0.10% of GDP.

### Main R&I developments in 2017

- The Directorate General for European Programmes, Coordination and Development has prepared an overarching R&I policy document (ERA National Roadmap for Cyprus) with policy suggestions to address these challenges identified. The Roadmap has been approved by the Council of Ministers on 19<sup>th</sup> of July 2017.
- The Action Plan of the Smart Specialisation Strategy of Cyprus, S3Cy, comprises competitive calls for proposals which require or encourage collaboration (Integrated Projects, Excellence Hubs, New Strategic Infrastructures Units - Young Scientists, DIDAKTOR-post-doctoral researchers, Research in Enterprises, Research in Start-Ups), whereas other calls refer to a single beneficiary and/or come in the form of a small lump sum (Innovation Vouchers, Industrial Property, Encouragement, Complementary Funding). In total, more than 700 proposals were submitted for funding from the RPF, the evaluation of which is underway. Also under the Ministry of Energy, Commerce, Industry and Tourism (MECIT) "Entrepreneurial Innovation" call for proposals, 224 proposals were submitted, of which 84 were approved for funding with a total budget of €10m.
- Tax incentives, for investment by individuals in innovative firms and funding calls to enhance R&I activities are among the actions to tackle the challenge of low R&I spending. The tax incentives aim at giving access to equity funding for start-ups and firms with innovative potential. The funding calls are expected to increase

R&I spending in enterprises considerably due to the own contribution rule (usually of the order of 30% of a project's budget).

- The Research Promotion Foundation underwent a substantial reform in July 2017 aiming a more efficient R&I policy implementation.



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