



2019 SBA Fact Sheet

CYPRUS

Key points

Past & future SME performance¹:

In 2017-2018, SME value added and employment growth were remarkably strong, at 10.0% and 6.4% respectively. SME employment surpassed its 2008 pre-crisis level by 6.3%. Still, SME value added remained 3.8% lower than its pre-crisis level. In 2018-2020, SME value added is forecast to increase by 12.4% and SME employment by 7.4% — representing 86.4% of all new jobs created by 2020 in the ‘non-financial business economy’.

Implementing the Small Business Act for Europe (SBA):

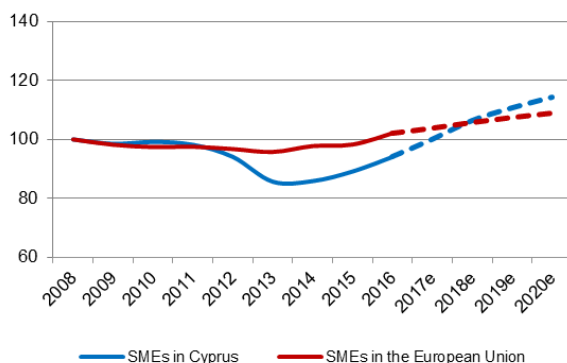
Cyprus’ general SBA profile score is rather mixed and still below the EU average. State aid & public procurement, which was below the EU average last year, and internationalisation are now both above the EU average. Entrepreneurship, responsive administration and skills & innovation are in line with the EU average. However, Cyprus is below the EU average for second chance and single market and is among the weakest performers in access to finance and environment. Since 2008, Cyprus has made substantial progress in State aid & public procurement and single market while its performance in access to finance and skills & innovation still leaves room for improvement. During the current reference period, Cyprus adopted 24 measures addressing 7 out of the 10 SBA policy areas.

SME policy priorities:

Access to finance remains a major challenge for SMEs despite recent policy efforts to improve the entrepreneurial ecosystem. This weakness is closely related to the still relatively high levels of debt and non-performing loans. Lengthy payment delays and the lack of alternative financing sources are also pressing problems for SMEs. The proportion of innovative, high-growth companies is still very low. A more tailored innovation policy and a reinforced digitalisation strategy would be desirable. Early-stage entrepreneurial activity needs more support and steps should be taken to ensure that current labour force skills match industry needs.

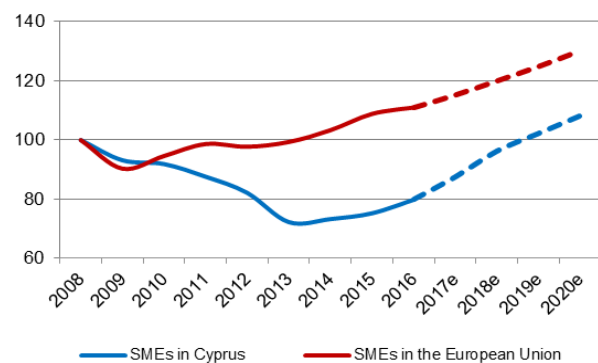
Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2017 onwards)



Value added of SMEs

(Index: 2008=100, estimates as from 2017 onwards)



About the SBA fact sheets:

The Small Business Act for Europe (SBA) is the EU’s flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and ‘responsive administration’ to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Cyprus		EU-28	Cyprus		EU-28	Cyprus		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	51,314	92.9%	93.0%	99,384	38.6%	29.7%	2.5	27.3%	20.8%
Small	3,365	6.1%	5.9%	65,062	25.3%	20.1%	2.7	28.6%	17.6%
Medium-sized	493	0.9%	0.9%	50,994	19.8%	16.8%	1.9	20.4%	18.0%
SMEs	55,172	99.9%	99.8%	215,440	83.8%	66.6%	7.1	76.3%	56.4%
Large	74	0.1%	0.2%	41,783	16.2%	33.4%	2.2	23.7%	43.6%
Total	55,246	100.0%	100.0%	257,223	100.0%	100.0%	9.3	100.0%	100.0%

These are estimates for 2018 produced by DIW Econ, based on 2008-2016 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs are the backbone of the Cypriot 'non-financial business economy'. Their contribution to total value added and employment is striking, at 76.3% and 83.8% respectively. Both are substantially higher than the respective EU averages of 56.4% and 66.6%. Cypriot SMEs employ 3.9 people on average, consistent with the EU average. The average annual productivity of SMEs in Cyprus, calculated as value added per person employed, is €32,900 — almost three quarters of the EU average.

SMEs in Cyprus started to recover from the financial crisis in 2013 and continued their recovery in 2014-2018. During this period, SME value added and employment increased by 31.2% and 23.9% respectively, with growth driven by micro and small firms. Most recently, in 2017-2018, SME value added and employment growth were remarkably strong, at 10% and 6.4%,

respectively. SME employment surpassed its 2008 pre-crisis level by 6.3%, whereas SME value added remained 3.8% lower than its pre-crisis level.

The financial crisis hit SMEs in the Cypriot *construction* sector hard. Nonetheless, in 2014-2018 SMEs' value added and employment increased sharply — by 90.7% and 47.3% respectively, albeit from very low post-crisis levels. A decade after the crisis, SME value added is still half of its 2008 level, while SME employment is a quarter lower. The strong growth of SME value added — an increase of roughly 50% in 2014-2016² — has been fuelled by the rising demand for new residential and non-residential buildings. Notably, there was a 16.1% increase in building permits in 2014-2017³. A number of strategic government initiatives supporting investment in construction, such as the 2015 Urban Development Plan⁴, have been

conducive for the sector. The government also introduced tax incentives to further boost the sector's growth. This included the abolition of the immovable property tax in 2017⁵, which has helped make investment in Cyprus even more attractive. Another major project driving growth in the construction sector in 2014-2018 was the Ayia Napa marina project — a development featuring twin skyscrapers and a marina for 600 yachts⁶. SMEs specifically benefited from this project as there has been a lack of large firms in the *construction* sector since 2015. Given that the construction sector relies heavily on foreign funding and that access to domestic finance is difficult, the sector's long-term prospects remain uncertain.

Another sector dominated by SMEs, due to a scarcity of large firms, is *professional activities*. This sector was more resilient than others during the crisis, allowing SMEs to generate consistent growth throughout recent years. In 2014-2018, SME value added and employment grew by 33.9% and 26.2% respectively. *Legal and accounting* was the largest sub-sector, accounting for half of the sector's SME value added. SMEs benefited from the generally favourable tax regime in Cyprus⁷, which, by attracting foreign investment⁸, also helped stimulate the demand for professional services.

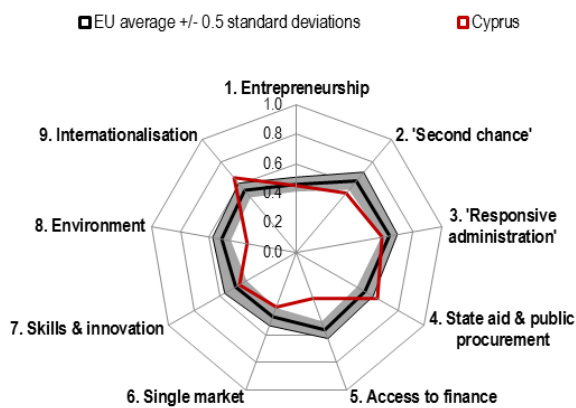
The recovery of SME value added and employment since the 2008 crisis has been demonstrated by the rise in new business registrations since 2013. A total of 14,526 new registrations were recorded in 2018, an increase of 6.2% over the previous year⁹. However, company deregistrations have fluctuated sharply. For example, in 2017-2018, deregistrations increased to a significant 14,296¹⁰, due to the adoption of the directive to remove inactive companies from the Business Registry, following the signing of the Economic Adjustment Programme for Cyprus in March 2013¹¹.

As per the data collected by the European Startup Monitor 2019 project¹², 63% of the startups in Cyprus that responded to the online questionnaire were set up by one male founder or an all-male team of founders. 13% were set up by one female founder or an all-female team of founders. The remaining 25% were set up by at least one man and one woman. In terms of their stage of development, 63% are in the pre-seed or seed stage, 25% in the start-up stage and 12% in the growth stage. Regarding financial aspects, 63% are operating at a loss, 25% currently break-even and 13% are profitable. Of those start-ups that are operating at a loss, 60% expect to break-even in less than 2 years, while 40% expect that it will take them over 2 years to break-even. 63% have a turnover between €1 and €500,000; 25% report having no turnover yet and the remaining 13% have a turnover of over €500,000. They have 5 employees on average, of which around 33% work on a part-time basis. On average they plan to hire 5.5 people within a year.

High-growth firms are barely represented in the Cypriot 'business economy'¹³. According to the latest available statistics, only 100 firms (2.7% of all firms in the 'business economy' with at least 10 employees) were high-growth firms in 2016¹⁴. This is significantly lower than the EU average of 10.7%. In 2018, SMEs in the specialised *knowledge-intensive services* and *high-tech manufacturing* sectors, both of which are usually R&D-intensive, accounted for 28.1% of SME value added in the manufacturing and services sectors, which is lower than the EU average of 33%.

The recent growth of Cypriot SMEs is expected to continue in the coming years. In 2018-2020, SME value added is forecast to increase by 12.4% and SME employment by 7.4%. This corresponds to around 16,100 new SME jobs, representing 86.4% of all new jobs created by 2020 in the Cypriot 'non-financial business economy'.

2. SBA profile¹⁵



Cyprus' SBA performance is mixed. State aid & public procurement and internationalisation are above the EU average, the former having improved substantially compared to the previous reference period. Entrepreneurship, 'responsive administration' and skills & innovation are in line with the EU average. 'Second chance' and single market are below the EU average. Cyprus is among the EU's weakest performers for SMEs' access to finance and the weakest performer for environment.

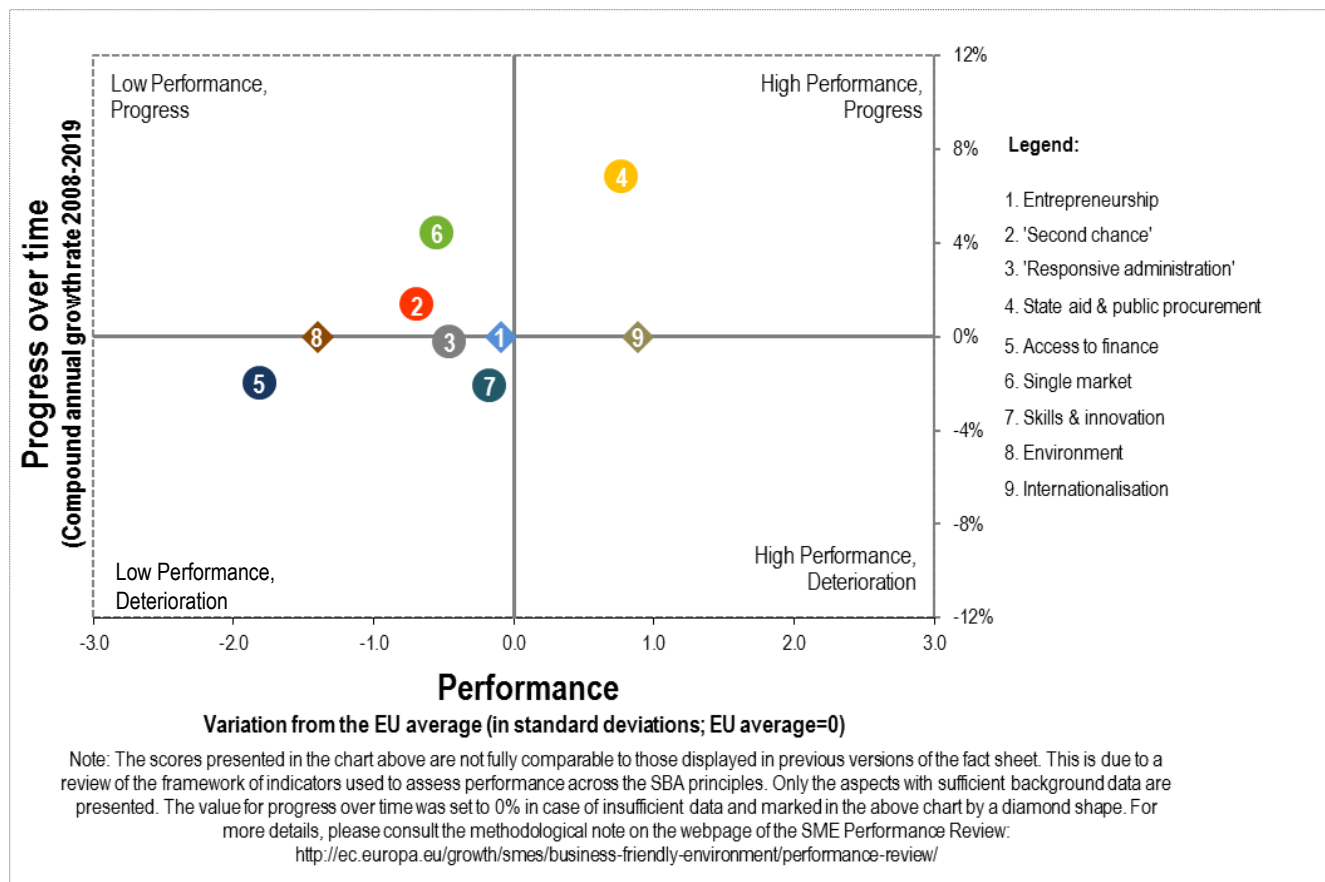
Since 2008, the Cypriot government has introduced a wide range of policy measures to improve business support for SMEs and to

support the entrepreneurial ecosystem. Cyprus has progressively implemented the SBA recommendations and those of the SME action programme. Adopted in 2015, the national policy statement for enhancing the entrepreneurial ecosystem in Cyprus is the main policy instrument for implementing the SBA, as it addresses all relevant SBA components. In terms of addressing the recommendations in the SME action programme, additional policy efforts are needed to ensure that all SMEs have access to broadband and digitisation support services to help them better compete and innovate. Cyprus' digital strategy, adopted in 2012, provides the policy framework for achieving these goals.

During 2018 and the first quarter of 2019, which is the reference period for this year's fact sheet, Cyprus adopted/implemented 24 policy measures and formally announced four important measures, addressing 7 of the 10 SBA policy areas. Most policy measures targeted skills & innovation, internationalisation and 'responsive administration'. In addition, relevant national strategy and policy documents such as the new 2019-2023 national framework for research and innovation prepared by the National Board for Research and Innovation in 2019, are aligned with and support the achievement of the objectives set out in the national policy statement.

However, policy progress was limited in other SBA areas, and no measures were adopted under 'second chance', State aid & public procurement and single market.

SBA performance of Cyprus: state of play and development from 2008 to 2019¹⁶



3. SBA principles¹⁷

3.0 ‘Think Small First’

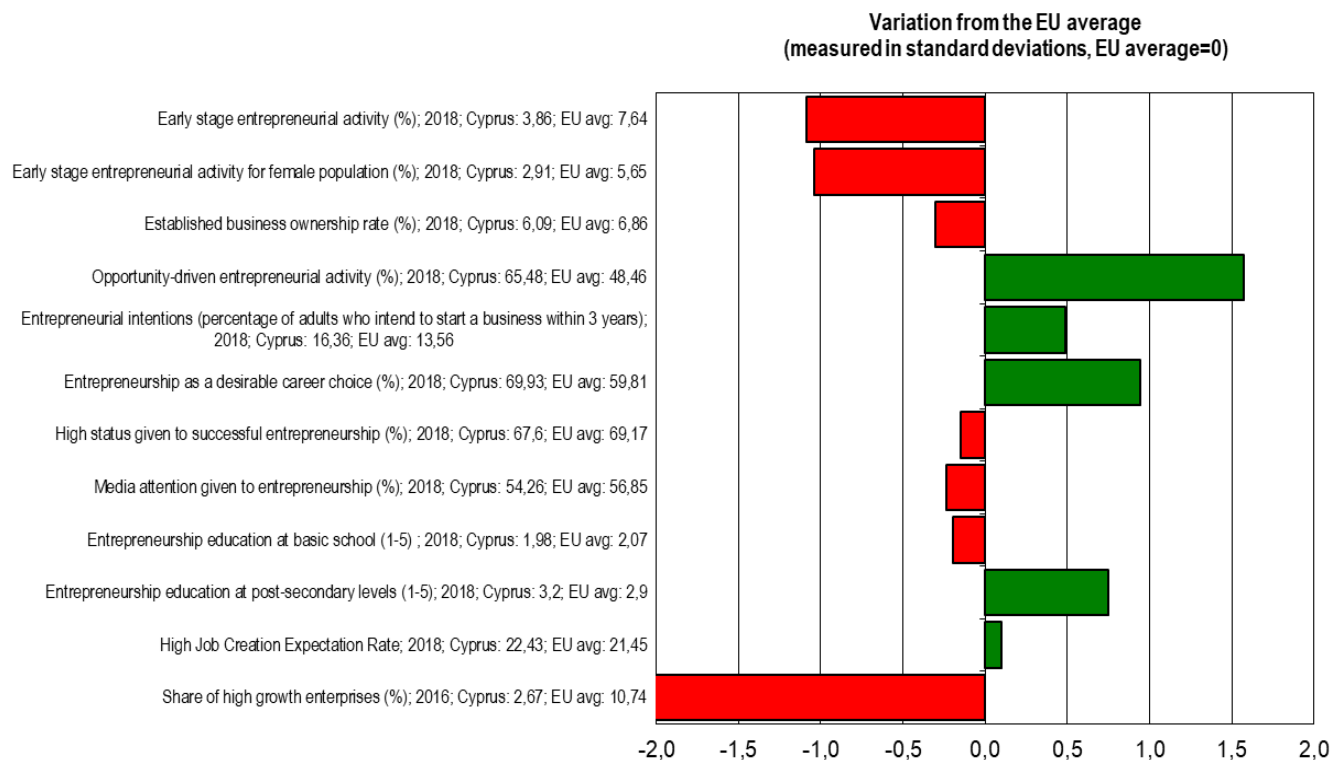
The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs’ interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

In terms of SBA compliance, although the regulatory impact assessment (RIA) is in place, the results are often not used effectively to change or cancel proposed legislation. Cyprus has also not yet introduced common start dates for all new legislation or amendments to existing legislation that affect SMEs.

After the introduction of the ‘SME test’ in 2017, stakeholders are more actively involved in the legislative procedure. The SME envoy unit responsible for assessing the quality of the ‘SME test’ supports the competent authorities in its implementation.

During 2018 and the first quarter of 2019, Cyprus adopted one important measure which aims to modernise the Registrar of companies and official receiver law, (*Εκσυγχρονισμός της νομοθεσίας του κλάδου εταιρειών*) by simplifying different registration procedures.

3.1 Entrepreneurship



Cyprus’ performance in entrepreneurship is in line with the EU average, having improved since the last reference period. However, the downward trend in early stage entrepreneurial activity persists, having decreased by 8 percentage points since 2016. Early stage entrepreneurial activity in Cyprus is now among the lowest in the EU. In addition, the share of high-growth companies continues to be the lowest in the EU. By contrast, entrepreneurship has improved overall thanks to the

substantial increase in opportunity-driven entrepreneurial activity, which rose from 46% in 2017 to 65% in 2018 and is now one of the highest in the EU. Likewise, entrepreneurship is considered to be a desirable career choice in Cyprus and the high job creation expectation rate has increased by 14% since 2017.

Cyprus has addressed most of the SBA recommendations for entrepreneurship. However, the country lacks specific support

measures and matching schemes to ensure successful business transfers. The national policy statement for enhancing the entrepreneurial ecosystem in Cyprus, adopted in 2015, is considered to be the most important policy instrument for improving Cyprus' entrepreneurship ecosystem. Scale-ups were not specifically targeted in any government policy during the current reference period.

Two significant measures were adopted during the current reference period:

- the Progress Report on the implementation of the policy statement enhancing the entrepreneurial ecosystem in Cyprus (*Ανανεωμένη Μελέτη Δήλωσης Πολιτικής: Ενισχύοντας το Επιχειρηματικό Οικοσύστημα στην Κύπρο*), which revises the national policy statement and encourages all business partners to take joint action to capitalise on Cyprus'

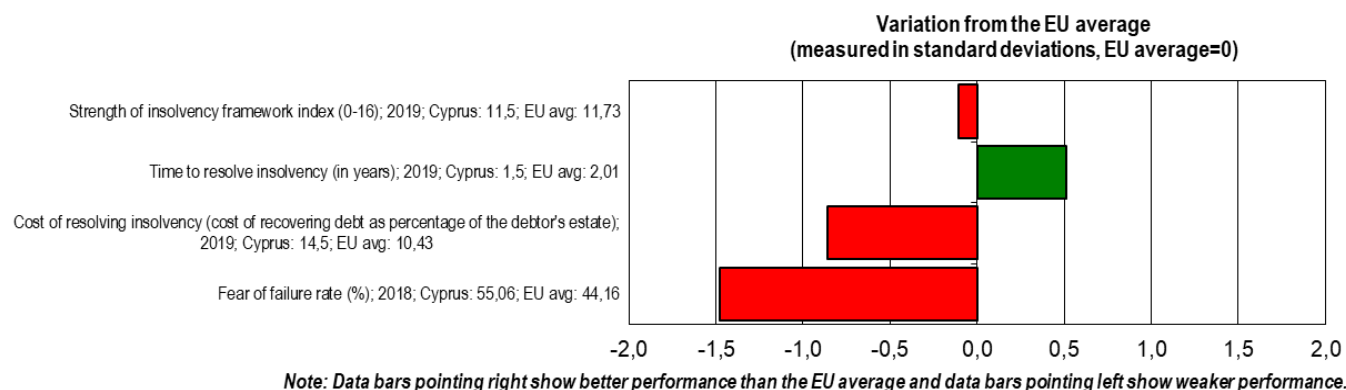
entrepreneurial potential and strengthen the country's entrepreneurial culture; and

- the 'Action Plan to strengthen the Social Enterprise Ecosystem' (*Σχέδιο Δράσης για την ενίσχυση του οικοσυστήματος των Κοινωνικών Επιχειρήσεων*), which aims to support social entrepreneurship with incentives and funding for social enterprises.

The Law for social enterprises (*ο Περί Κοινωνικών Επιχειρήσεων Νόμος*), formally announced during the previous reference period, is still being debated.

Another significant measure was formally announced during the current reference period, namely the 2014-2020 Agro-tourism Scheme (*Σχέδιο Χορηγιών Αγροτουρισμού 2014-2020*), which aims to create new agro-tourism units and to further stimulate rural tourism.

3.2 'Second chance'

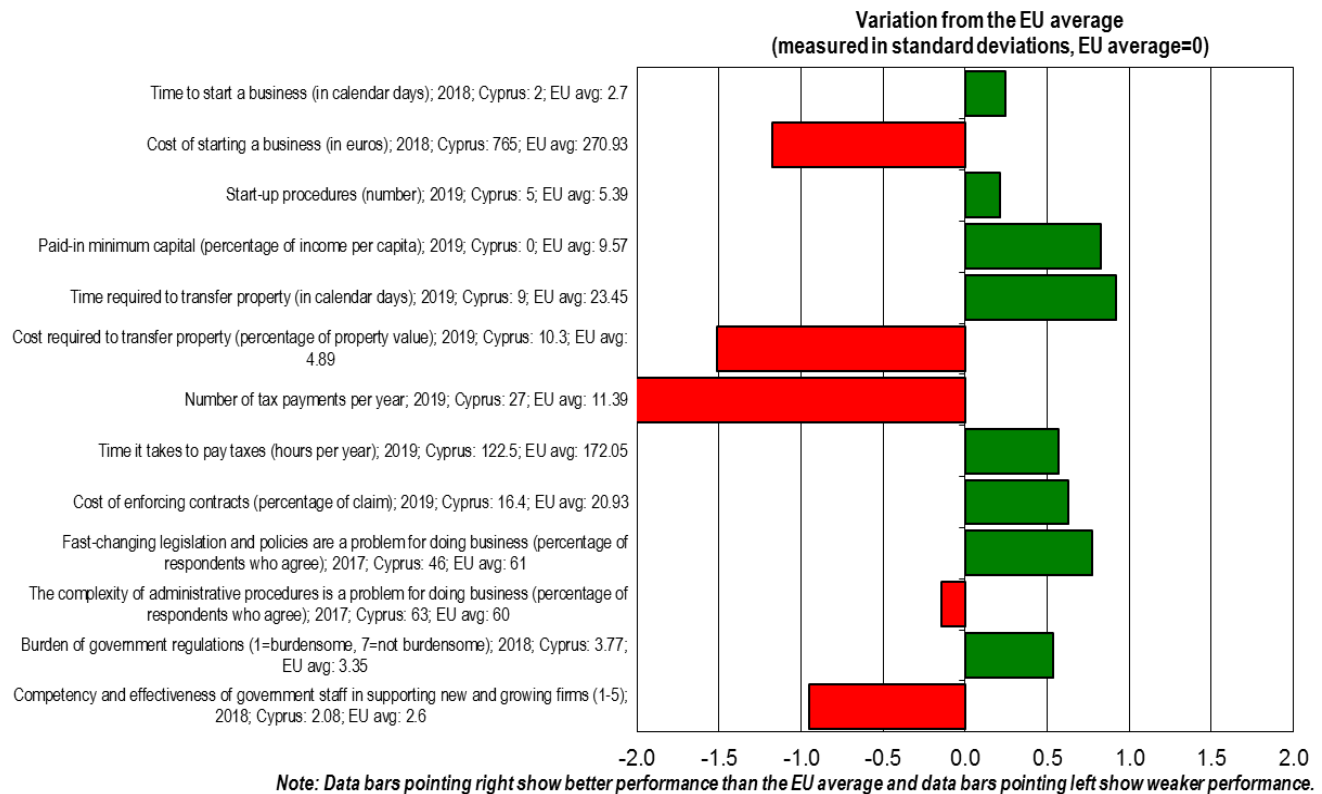


'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Overall, Cyprus performs below the EU average in this area. The fear of failure rate in Cyprus is again among the highest in the EU, having increased by 20 percentage points since 2015. While the cost to resolve insolvency is higher than the EU average, the time to resolve insolvency takes nearly half a year less than the EU average. However, no change has been noted for these two indicators since the adoption of the SBA.

Since 2008, there has been moderate progress in the area of 'second chance'. Although steps were taken to improve the insolvency framework in 2015, policy gaps remain. For instance, measures to ensure that re-starters are treated on an equal footing with new start-ups are still lacking, as are early warning and help-desk mechanisms to prevent entrepreneurs from going bankrupt in the first place.

During the current reference period, no new significant measures were adopted or announced.

3.3 ‘Responsive administration’



‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Although Cyprus continues to perform in line with the EU average in ‘responsive administration’, its performance has improved little since 2008. Little or no progress has been registered for most of the indicators compared to the previous reference period. The cost of starting a business in Cyprus is still one of the highest in the EU. The time to pay taxes has decreased by 23 hours per year since 2016 and is now lower than the EU average. However, the cost of registering a property and the number of tax payments per year are still among the highest in the EU.

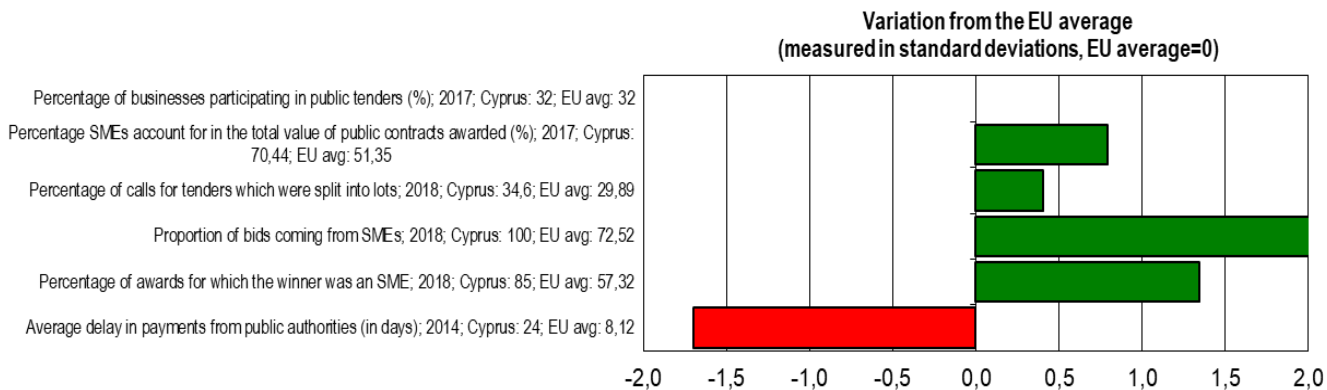
Cyprus has introduced a number of measures since 2013 to help simplify administrative procedures and reduce the burden of government regulations. In this regard, the Cypriot government launched an e-Services platform (Ariadne), which now provides over 45 government services online, including business registration and access to information and advice on procedures. However, the ‘only once’ principle has not been fully realised as public administration databases are not connected enough to prevent companies from providing the requested information more than once.

During the current reference period, two significant measures were adopted under the ‘responsive administration’ principle:

- a trademark management unit (*Μονάδα Διαχείρισης Εμπορικών Σημάτων*), which was set up to assist with the registration procedures of Halloumi trademarks in new markets, as well as the monitoring and management of trademark violation cases; and
- the simplification of the Regulatory Framework for Tourism (*Απλοποίηση Κανονιστικού Πλαισίου για τον Τουρισμό*), which reduces bureaucracy for tourist accommodation establishments by simplifying licensing procedures.

The 2017 Facilitation of Investments Bill (*Νομοσχέδιο του 2017 για Διευκόλυνση των Επενδύσεων*), formally announced during 2017 and the first quarter of 2018, has not yet been adopted and is currently in the legislative process.

3.4 State aid & public procurement



Important methodological changes have been introduced for this principle in this year’s fact sheet. Three new indicators from the TED (Tenders Electronic Daily) database have been added:

- percentage of awards for which the winner was an SME;
- proportion of bids by SMEs;
- percentage of calls for tender which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year’s.

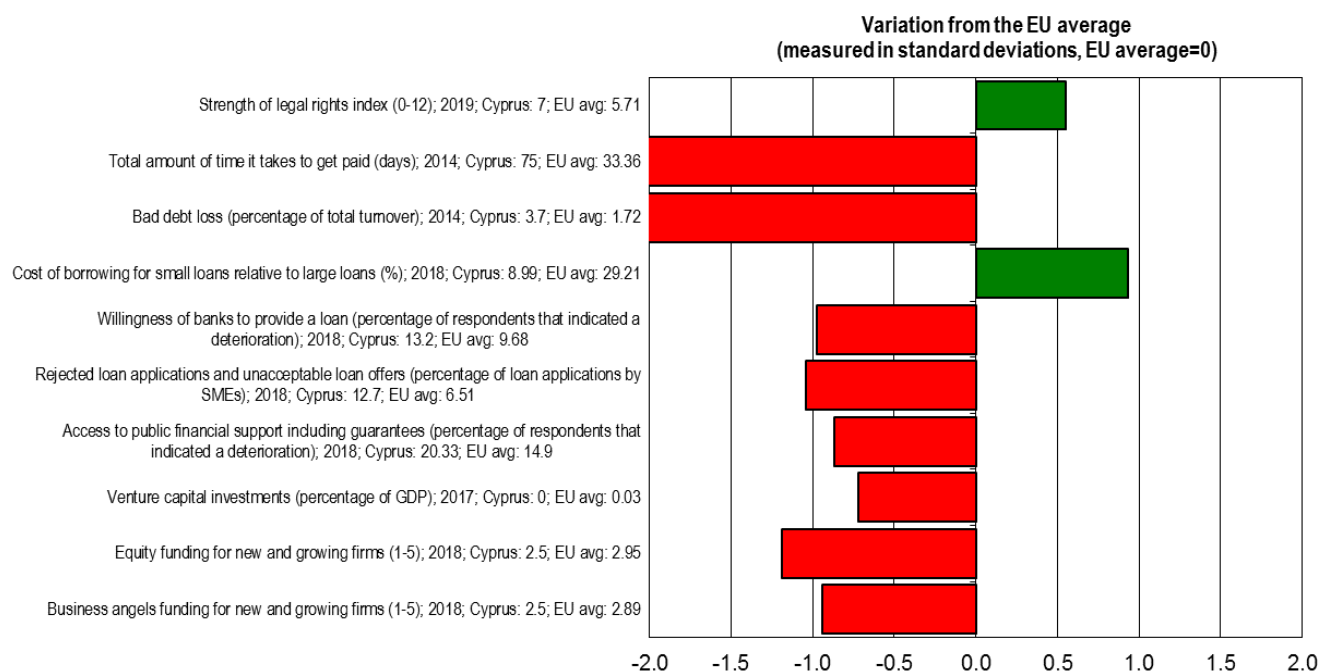
Cyprus performs above the EU average in State aid & public procurement. It has the EU’s highest score for the proportion of bids coming from SMEs, and has one of the highest percentages

of awards won by an SME. Despite a drop of approximately 7 percentage points in the share of the total value of public contracts awarded to SMEs, it is still above the EU average. However, the average delay in payments from public authorities continues to be a significant challenge for SMEs in Cyprus. The length of delay continues to be among the longest in the EU.

Cyprus has successfully implemented most of the key SBA recommendations. The introduction of some key policy measures in recent years has made public procurement more attractive to SMEs. The e-procurement system is helping to reduce participation costs for SMEs, and more transparent and proportional procurement requirements are making it easier for SMEs to participate. However, the lengthy procurement procedures remain an issue for SMEs.

During 2018 and the first quarter of 2019, no new significant measures were adopted or announced.

3.5 Access to finance



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Access to finance is the most challenging SBA area for Cyprus despite many policy initiatives in the recent past. The still high degree of private indebtedness, the high proportion of non-performing loans and the financial sector’s continuing lack of stability create a difficult environment for SMEs’ access to finance.

The amount of time it takes to get paid by customers and the share of bad debt loss (i.e. the number of receivables that have to be written off because of not being paid) is among the highest in the EU. According to a 2016 Commission report on the implementation of the Late Payment Directive¹⁸, Cyprus ranked last for payments in business to business (B2B) transactions with an average payment period of 85 days (business to public (B2P) 84 days)¹⁹. In addition, experts have indicated a deterioration in access to public financial support, including guarantees, compared to the previous reference period. Bank credit, however, has improved. The number of rejected loan applications by SMEs and unacceptable loan offers dropped substantially from 33.3% in 2017 to 12.7% in 2018. The lower cost of borrowing for small loans relative to large loans is also encouraging for SMEs. However, alternative sources of finance

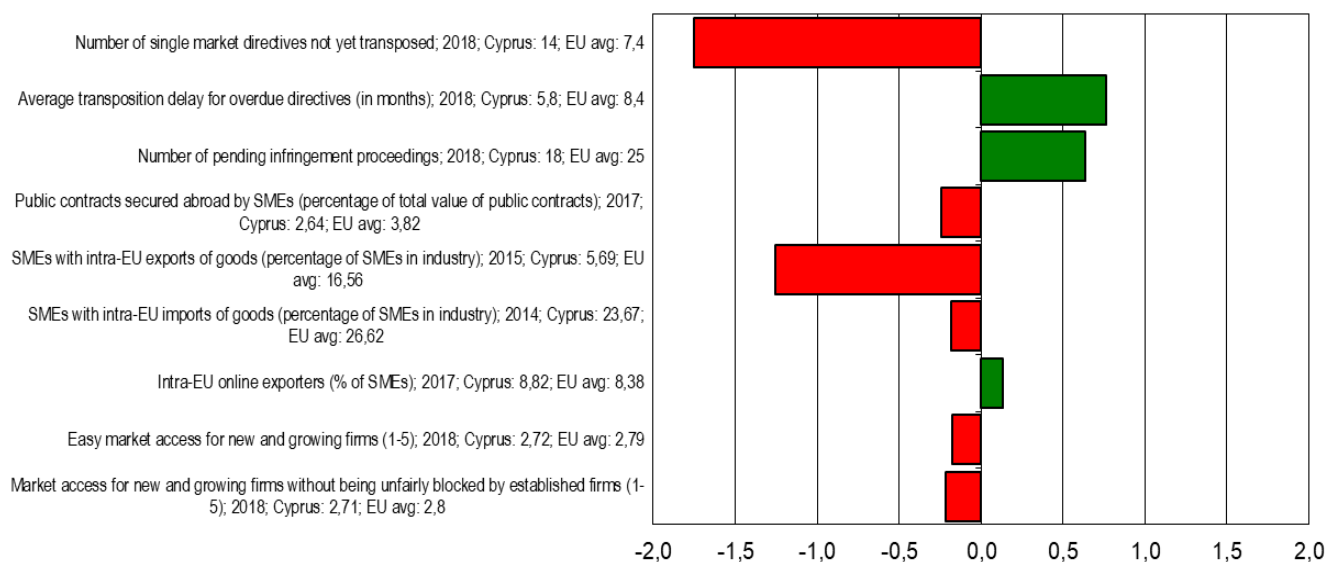
such as venture capital, equity funding and business angel funding for new businesses are scarce in Cyprus.

Since 2008, the Cypriot government has put in place several measures to financially support SMEs. Despite this, access to finance remains a key obstacle for start-ups and SMEs. To address this issue, in 2017 the Ministry of Finance introduced tax incentives to encourage individuals to invest directly or through investment funds in innovative businesses and start-ups to counter the drop in public financial support. The Ministry of Energy, Commerce and Industry also introduced measures to extend finance for specific target groups (e.g. young people and women).

One relevant measure was adopted during the current reference period, namely the Alternative Investment Funds Law (*Ο περί των Οργανισμών Εναλλακτικών Επενδύσεων Νόμος*). This law aims to introduce: (i) the Reserved Alternative Investment Fund (RAIF); (ii) limited partnerships with legal personality as an alternative investment fund vehicle; and (iii) arrangements for establishing a variable capital company to increase the versatility of limited companies as a corporate vehicle for open-ended funds.

3.6 Single market

Variation from the EU average
(measured in standard deviations, EU average=0)



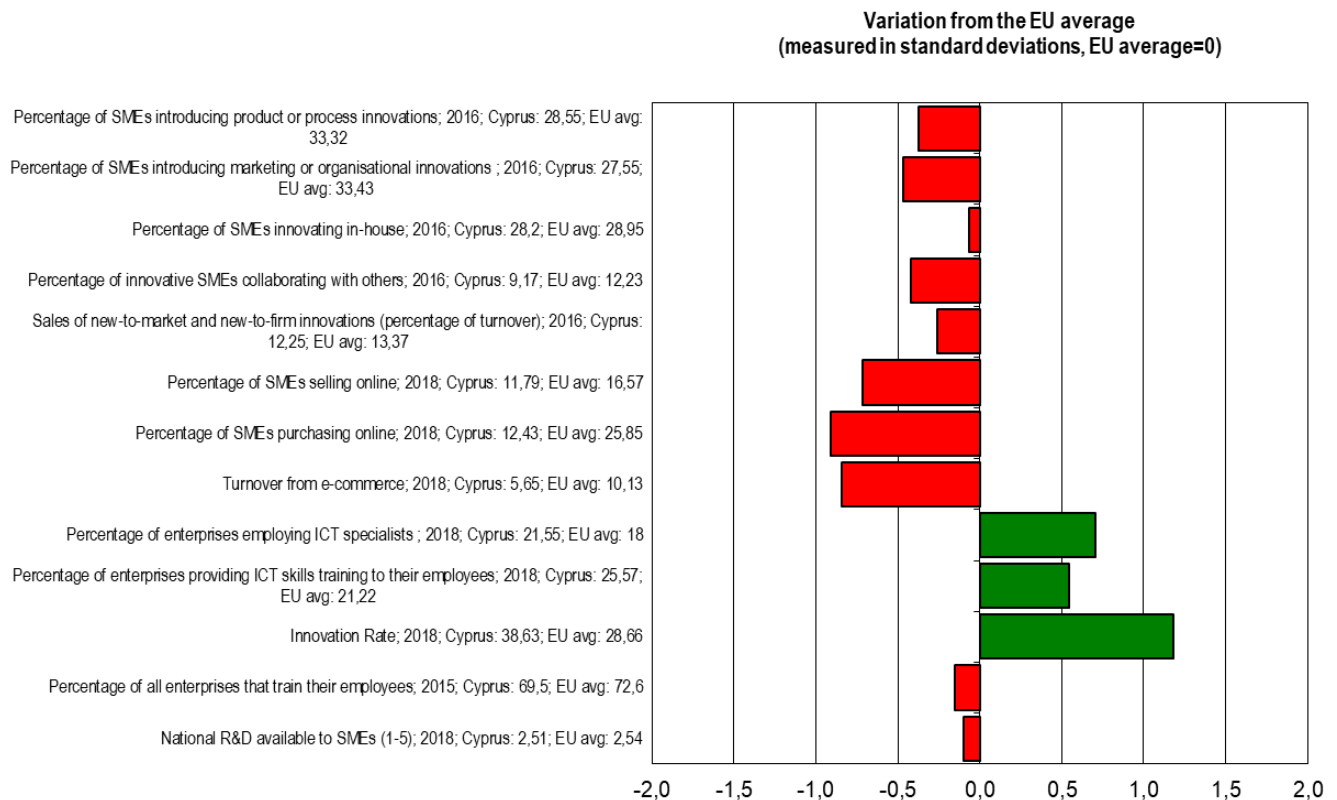
Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Cyprus's performance in single market is now below the EU average, having deteriorated compared to last year. The rather poor performance is partly due to the number of single market directives that are yet to be transposed into national legislation, although the number halved from 28 in 2016 to 14 in 2018. Despite the increase in legislative activity, Cyprus has the third highest number of directives not yet transposed. On the other hand, the delays in transposing directives and the number of infringement proceedings are both better than the EU average. Although the share of SMEs exporting to other EU countries is more than 10 percentage points lower than the EU average, the share of SMEs exporting online to other Member States is in line with the EU average.

Since 2008, policy progress in this area has been moderate. Cyprus has established an internal market information system, a single-point-of-contact and a SOLVIT centre to address problems faced by SMEs in the single market. However, further measures are needed to help SMEs overcome the difficulties in accessing standards, patents and trademarks within the single market.

During the current reference period, no new significant measures were adopted or announced.

3.7 Skills & innovation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Cyprus continues to perform in line with the EU average in skills & innovation. The share of companies employing ICT specialists and the share of SMEs providing training to their employees to develop or upgrade their ICT skills continue to be higher than the EU average. This latter indicator has increased by 5 percentage points since 2016. In addition, Cyprus has the fourth highest innovation rate in the EU, an indicator that measures the degree to which products or services are new to at least some customers with few/no businesses offering the same product. These findings are in line with Cyprus’ classification as a ‘moderate innovator’ by the European Innovation Scoreboard. Cyprus scores particularly well in the trademark applications, population with tertiary education and international scientific co-publications areas. Finance and support is one of the country’s weakest innovation dimensions. Overall, Cyprus’ lowest scores are for the private co-funding of public R&D expenditure and the R&D expenditure in the business sector indicators.

Cyprus has successfully implemented most of the SBA recommendations. However, it could take further steps to ensure that labour force skills better match industry needs, as recommended also in the SME action programme. A common methodology for the long-term outlook for jobs and skills in each key sector would help to forecast the training and labour needs of SMEs in Cyprus.

In 2018, Cyprus adopted a new research and innovation governance system and established a National Board for Research and Innovation where it installed a chief scientist. A new 2019–2023 national strategy framework for research and innovation, prepared by the National Board for Research and Innovation, was adopted in 2019 to increase the competitiveness of SMEs through R&I activity, among other aims. During 2018 and the first quarter of 2019, the following calls for proposals were launched under the 2016-2020 RESTART programme (*Προγράμματα RESTART 2016-2020*) to boost the research and innovation capacity of SMEs:

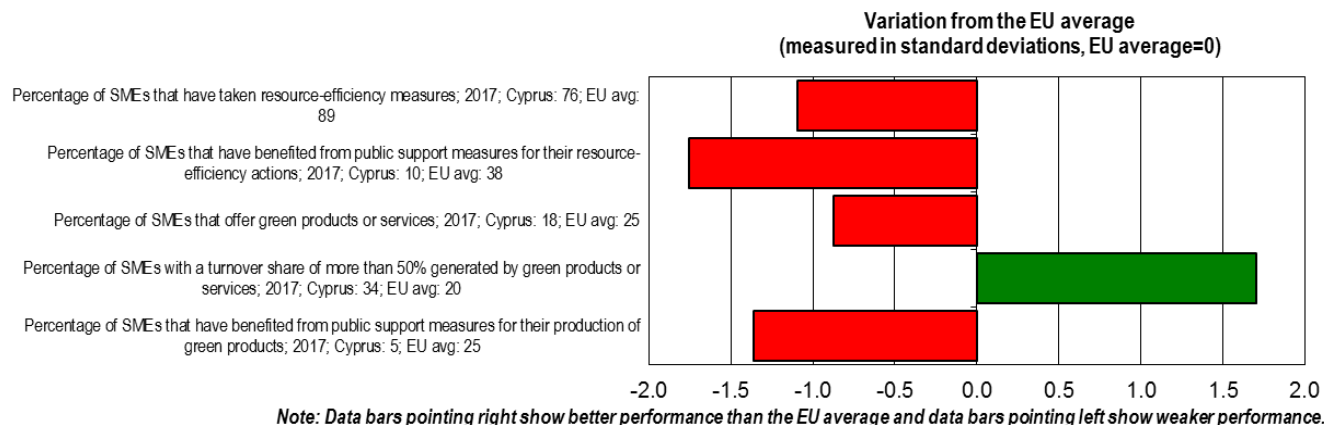
- the ‘Eurostars Cyprus’ Programme, which aims to encourage innovative SMEs to participate in transnational research activities;
- the ‘Integrated Projects Programme — second call’ (*Προγράμματος Ολοκληρωμένα Έργα — 2η Πρόσκληση*), which focuses on promoting research, technology development and innovation by creating synergies between research institutions and businesses;
- the ‘Research in Start-ups Programme — Second Call’ (*Προγράμματος Έρευνα στις Νεοσύστατες Επιχειρήσεις — 2η Πρόσκληση*), which aims to encourage start-ups

- to engage in activities to improve existing production methods, products or services; and
- the 'Research in Business Programme — Second Call' (Προγράμματος Έρευνα στις Επιχειρήσεις — 2η Πρόσκληση), which also aims to strengthen the competitiveness of Cypriot companies through new and improved production methods, products or services.

- the 'centres of excellence' (Νησίδες Αριστείας) programme, which aims to reward investments in research excellence and contribute to cooperation between industry and academia;
- the second call for the advice for small business (ASB) facility, which aims to improve the competitiveness of SMEs and to strengthen and develop their expertise by providing advice and education services.

In addition, two significant new measures were adopted during the current reference period:

3.8 Environment



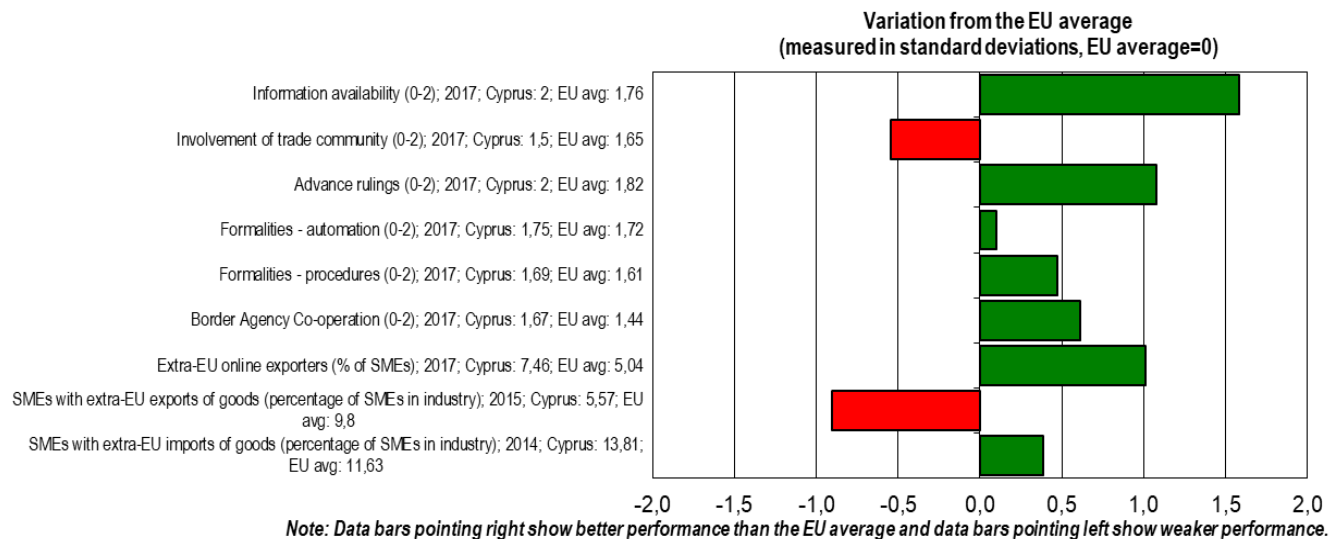
Cyprus performs below the EU average in environment. Given its significant deterioration over the past few years, it is now the EU's worst performer in this area. The share of SMEs that have benefited from public support measures for their resource-efficiency actions — which has fallen by 54 percentage points since 2016 — is the lowest in the EU. This could be due to the first call for a support scheme offering grants to SMEs for investment in upgrading the energy performance of buildings being terminated at the end of 2016. Similarly, the share of SMEs that have received public support measures to produce green products is also among the lowest in the EU, having dropped 29 percentage points since 2016. Consequently, the share of SMEs that have taken resource-efficiency measures or that offer green products or services is still broadly below the EU average. On a more positive note, Cyprus has the second highest percentage of SMEs that have more than 50% of their turnover generated by green products or services.

During the current reference period, one significant measure was adopted, namely the call for proposals for SOLAR-ERA.NET Cofound 2. This initiative will help implement the strategic energy technology (SET) plan and achieve the EU's energy targets by coordinating the activities of the participating research funding agencies.

Another significant measure was formally announced, namely the call for proposals for the European initiatives national development programme or PRIMA (Προγράμματος «Ευρωπαϊκές Πρωτοβουλίες – Τοπική Ανάπτυξη»), which aims to build research and innovation capacities and to develop knowledge and common innovative solutions for agro-food systems.

Although the Cypriot government has taken steps to encourage SMEs to become certified by the Commission's eco-management and audit (EMAS) scheme, support measures to encourage energy efficiency are desirable. In addition, green public procurement is not part of procurement policy and SMEs are not supported in their efforts to ensure environmental and energy regulatory compliance.

3.9 Internationalisation



Cyprus continues to perform above the EU average for internationalisation, which is also best performing SBA area. The share of SMEs exporting online outside the EU is the second highest in the EU and the country has the EU's best scores for information availability and advance rulings. Only two key indicators remain below the EU average, namely 'involvement of trade community' and 'SMEs with extra-EU exports of goods'.

Since 2008, the Cypriot government has introduced various policy measures to support the internationalisation of SMEs. The bilateral collaborations programme (*Προγράμματος Διακρατικές Συνεργασίες*) has helped Cypriot SMEs enter into new markets outside the EU (e.g. the USA, Israel and Russia). However, there is still a relative weakness in targeted financial support (e.g. loans, guarantees, equity, and export credit insurance facilities) for internationalisation. Cyprus has not established an umbrella organisation to oversee the provision of strategic, operational, legal, financial, linguistic and other support to SMEs to internationalise and stimulate exports.

During the current reference period, four significant measures were implemented.

- The call for proposals for the EUREKA Cyprus programme (*Πρόσκληση Υποβολής Προτάσεων του*

Προγράμματος EUREKA Κύπρου) aims to increase the competitiveness of Cypriot SMEs by carrying out international research and development projects.

- Two calls for proposals for the international collaboration programme — dual targeting (*Πρόσκληση Υποβολής Προτάσεων του Προγράμματος Διεθνής Συνεργασία — Διπλή Στόχευση*) were launched to promote collaboration between national research organisations and leading international research organisations. The first of them targets research organisations from non-EU countries and the second targets the USA.
- The Cyprus-Israel call for proposals for the bilateral collaborations programme (*Πρόσκληση Υποβολής Προτάσεων Κύπρος-Ισραήλ του Προγράμματος Διακρατικές Συνεργασίες*) was launched to promote joint research and technological development projects on selected themes of interest for both countries.

An upcoming Cyprus-Russia call for proposals was also formally announced under this bilateral collaboration programme.

4. Interesting initiative

Below is an example of an initiative from Cyprus to show what governments can do to support SMEs.

Action Plan to strengthen the social enterprise ecosystem

The Action Plan to strengthen the social enterprise ecosystem (*Σχέδιο Δράσης για την ενίσχυση του οικοσυστήματος των Κοινωνικών Επιχειρήσεων*) was adopted in January 2018 by the Cypriot Ministry of the Interior. In view of the national policy statement for enhancing the entrepreneurial ecosystem in Cyprus, adopted in 2015, the action plan aims to improve the entrepreneurial environment in Cyprus. It involves targeted measures based on good practices from other EU countries, which are to be introduced by 2020. The action plan has three objectives:

1. to create a social entrepreneurship culture;
2. to support access to finance (e.g. incentives and funding for social enterprises); and
3. to create a favourable business environment.

References:

<http://www.reform.gov.cy/en/press-room/announcements-news/press-conference-by-the-minister-of-interior-on-social-entrepreneurship-11-01-2018>

https://issuu.com/presidency-reform-cyprus/docs/presentation_social_enterprises_fi?e=23693381/57298307

Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ based on 2008-2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

² Republic of Cyprus, Statistical Service, Construction and housing, 1995-2017, available at: https://www.mof.gov.cy/mof/cystat/statistics.nsf/industry_construction_62main_en/industry_construction_62main_en?OpenForm&sub=2&sel=2, last accessed 24.5.2019.

³ Ibid.

⁴ Urban Development Plan incentives, available at: http://www.moi.gov.cy/moi/tph/tph.nsf/page55_gr/page55_gr?OpenDocument, last accessed 17.5.2019.

⁵ Immovable property tax law, available at: <http://www.cyprus.gov.cy/portal/portal.nsf/gwp.getGroup?OpenForm&access=0&SectionId=citizen&CategoryId=Land%20and%20Prperty&SelectionId=Taxation%20related%20to%20immovable%20property&print=0&lang=en> and <http://www.pafilia.com/newsarticle/702>, last accessed 17.5.2019.

⁶ Construction progress of Ayia Napa Marina, <https://marinaavianapa.com/blog/construction-progress-update-may-2018/>, last accessed 22.5.2019.

⁷ Cyprus Profile, Trade and Investments, New Incentives, available at: <https://www.cyprusprofile.com/en/economy/>, last accessed 22.5.2019.

⁸ Central Bank of Cyprus, Foreign direct investment, 2016, available at: <https://www.centralbank.cy/en/publications/foreign-direct-investment>, last accessed 22.5.2019.

⁹ Department of the Registrar of Companies and Official Receiver (DRCOR) of the Republic of Cyprus, http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/company_statistics_en/company_statistics_en?OpenDocument&print, last accessed 22.5.2019.

¹⁰ Data provided by the Department of Registrar of Companies and Official Receiver.

¹¹ CyLaw, Article 152(A), available at: http://www.cylaw.org/nomoi/enop/non-ind/O_113/full.html, last accessed 17.5.2019.

¹² www.europeanstartupmonitor2019.eu

¹³ Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

¹⁴ In line with the Commission Implementing Regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees that are in the beginning of their growth and have an average annualised growth in the number of employees greater than 10% per year over a three-year period. The share of high-growth enterprises is the number of high-growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 15.4.2019).

¹⁵ The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

¹⁶ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators, which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

¹⁷ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

¹⁸ European Commission, Report from the Commission to the European Parliament and the Council on the implementation of Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions, COM/2016/0534 final. <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM%3A2016%3A534%3AFIN>

¹⁹ Commission Staff Working Document, Evaluation of the Late Payment Directive/ REFIT evaluation, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016SC0278&from=en>