

Tech Island is a non-profit association with the mission to promote and accelerate the growth of the technology and innovation ecosystem in Cyprus. The goal of Tech Island is to work with the local technology sector and public sector to help boost the technology and innovation infrastructure that is expected to become a crucial economic engine with a significant impact on GDP, tax revenue, and job creation for the Cypriot economy by the year 2030.

## Tech Island Manifesto

Tech Island has produced this Tech Island Manifesto as a vision for better future for Cyprus. The Manifesto presents the unified voice of some of the technology companies based in Cyprus and will be gradually reviewed and updated.

The Key Areas presented below include some of the most important areas that are either missing or are underdeveloped in Cyprus. At the same time the Key Areas represent objectives that define what action is advised to be taken in order to deliver economic growth, creation of high value add employees and growth of entrepreneurial ecosystem.

### Key Areas:

1. Focus on the development of SMEs
2. Strengthen VC & Angel Investing infrastructure
3. Build globally recognized brand for Cyprus as innovation leader
4. Help transform traditional industries
5. Strengthen entrepreneurial education and adoption of technology skills
6. Better regulatory and legal framework
7. Improve and grow critical infrastructure

### 1. Focus on the development of SMEs

Economic development policies have been focusing on cutting corporation tax and attracting foreign companies and individuals to Cyprus shores as a magic bullet to improve the country's economic development.

It is clear that Cyprus has been built on a small business economy – the SME sector accounts for 99% of all businesses in Cyprus and almost 84% of all employment and 77% turnover in the private sector.

The SME sector will continue driving forward the economy of Cyprus in the upcoming decade. It will be important to continue supporting the inception, growth and survival of small and medium enterprises across all existing sectors via continuous improvement of the policies aimed for the improvement of the SME sector.

Furthermore, it will be desired to create more opportunities for early stage companies from the technology sector to receive support from the public and private sector. It can be observed that companies that embrace technology from their inception have high potential to massively grow thus strengthening the local economy, employ local people and contribute to the development of the country they reside in.

In order to create new and strengthen existing technology companies, it will be crucial to focus on educating the future entrepreneurs, accelerate their ideas and support the growth of the companies via activation of private and public capital.

The goal should be to support both local and international entrepreneurs that are willing to relocate to Cyprus to start and grow their companies from the country.

### 2. Strengthen VC & Angel Investing infrastructure

Almost non-existing venture capital and limited allocation of private capital to innovative companies and early-stage companies offers opportunity for establishment of a new system that will attract and directly convert foreign capital to be invested in Cyprus based companies. The foreign capital will consist of capital from HNWI (high net worth individuals) and institutional investors that will seek new investment opportunities in innovative companies and/or transformative industries.

Foreign investors can be attracted by favorable tax regimes, direct capital incentives or other incentives created by the government. Besides attracting foreign capital to Cyprus, it is also important to mobilize local private capital – primarily the capital of local HNWI and corporations that otherwise don't seek investments into high-risk assets, such as startups and innovative companies.

Combining the capital provided by public institutions in Cyprus with private capital will provide needed liquidity for innovative companies in all stages of development and existence.

Increased inflow of foreign private investors and investment funds and mobility of local capital to be invested into highly innovative companies and early-stage companies as well as State innovation fund, can be achieved by establishing and further advancing the following pillars:

- Education:
  - create and communicate legal framework in holistic and appealing manner
  - build market options awareness
  - build trust in local startups and early-stage companies
  - create and communicate clear investment process (timeframe, costs)

- Acceleration:
  - stronger incentive structure
  - clear path to local co-investing / follow on investment opportunities
  - exchange of knowledge and experience on investing in local startups
  - hosting of foreign investors acting as Limited Partners to VC/PE funds in making
- Internationalization:
  - strong marketing and communication of successful returns for investors and funds
  - attracting foreign co-investors to follow on rounds
  - increased number of start-up exits

### 3. Build globally recognized brand for Cyprus as innovation leader

The accelerating activities pool and growing influence of the technology sector on the economy of Cyprus will need to be recognized locally and internationally. Right labelling and positioning will be important to enable Cyprus to be recognized for its support and growth of the technology sector globally.

Number of examples can be found of countries and cities that have managed to create a globally recognized brand that is considered to be a synonym to highly innovative clusters and ecosystems whose impact can be measured on a global scale. Some of the examples are "Silicon Valley" in the USA, "Startup Nation" in Israel or "Dubai Internet City" in UAE. Cyprus has the potential to become a "Tech Island".

Given the unique position as an island between 3 continents and the aspiration to become global technology leader, "Tech Island" is a highly relevant brand that can become synonym to Cyprus globally.

### 4. Help transform traditional industries

Cyprus has a number of leading industries that have substantially been contributing to its GDP. If digitized and transformed by technology, these industries have a potential to accelerate the growth of the country in the following years.

Combining the domain expertise, infrastructure and scale of local and regional industries' players with inflow of entrepreneurial and technical talent, private capital and fast paced innovation application, these industries have a potential to advance Cyprus as a global innovation leader and strengthen its position in global competitiveness index.

The transformation will need to be initiated on the base level of existing companies by taking various measures. Among others, these are re-skilling of labour, digitization of processes, innovation and know-how import and creation and acceleration of new digital jobs.

Overview of how technology can transform Cyprus' biggest industries can be seen on the right side:



### 5. Strengthen entrepreneurial education and adoption of technology skills

GEM report on Total Early-Stage Entrepreneurial Activity (TEA) Index\* have shown that Cyprus has incurred an annual decrease of the early stage entrepreneurial activity from 2016. Furthermore, Cyprus's TEA value has been one of the weakest among all EU countries, which means Cyprus has had one of the lowest levels of early stage entrepreneurial activity.

The country's entrepreneurial deficit can be justified by a remarkable reduction of Cyprus' unemployment rates in the past years which led to more job opportunities for entrepreneurs and didn't force them to start their companies.

Besides low unemployment rate, there are also other reasons why Cyprus is ranking low in entrepreneurial activity: limited development of the entrepreneurial skills in schools, lack of role models and missing evangelization of entrepreneurship as a career choice.

Another skillset that will be critical for the development of Cyprus' technology sector is technology skills. It is expected that by 2030, there will be additional 40,000 entering the student population. It will be crucial to enable each of the students to gain technology skills and create opportunities for the individual to enter the job market as a technology expert. Number of pillars that will contribute to the strengthening of entrepreneurial and technology skills are:

- Rollout of targeted third level courses on entrepreneurship but also emerging tech trends, such as security analysis and AI.
- Further rollout of non-traditional pathways to attaining digital skills and increased awareness-raising of these alternative pathways e.g. apprenticeships in cyber security, data analytics etc.
- Adoption of new digital modes of teaching and learning to enhance learning experiences and opportunities, such as deep learning.
- Continue to pivot the strategic focus of the National Training Fund towards programs relevant to employers, delivered with more transparency and stronger evaluation.

\*TEA Index is considered as one of the most important indexes of the GEM methodology as it provides insights on new entrepreneurial endeavors that could be later transformed into established businesses and thus it reflects on the country's entrepreneurial potential. The TEA index includes both nascent entrepreneurs and new business owners.

- Increased funding of STEAM subjects (recognizing the contribution of 'Arts' to innovation) and the acceleration of the implementation of the relevant actions arising from the STEM Education and Review Group.
- Implementation of a best in class talent mobility regime, to include the modernization of permit and visa processing, in order to facilitate the efficient and certain movement of highly skilled talent.

Young Cypriots educated abroad that tend to seek job OR entrepreneurial opportunities need to be motivated to return to Cyprus. Young Cyprus diaspora is of critical size and by providing limited opportunities in Cyprus, the country is preventing some of the brightest and most entrepreneurial individuals to realize their potential in their home country.

By supporting early-stage companies, mobilizing critical early stage funding and enabling companies from traditional industries to transform themselves, the young Cypriot diaspora will be offered a number of reasons to return back to Cyprus and contribute to the development of Cyprus as global innovation leader.

### **6. Better regulatory and legal framework for international companies and talent**

Cyprus has been successful attracting international companies and global talent for the past years, however it will need to make the environment even more attractive in order to attract the most innovative companies and brightest and most skilled talent. In near future, there will be a "fight" for global talent and innovative companies between countries from all around the world.

Cyprus' advantage of being a member of European Union, using the Euro as a currency or being ranked as one of the safest small countries in the

world makes it stand out to many countries from all around the world with similar aspirations.

On the other hand, other countries are constantly improving their regulatory and legal frameworks with the goal to attract companies and talent at scale. In order to create a favorable environment for foreign organizations and individuals to move to Cyprus, there are few measures that need to be realized:

- Fast-tracking of work permits for spouses of foreign employees employed in Cyprus
- Shorter time to receive citizenship for foreign employees
- Advancing tax deduction for foreign employees
- Granting startup visa to high potential entrepreneurs from non-EU countries
- Adjustment of Blue Card provision

### **7. Improve and grow critical infrastructure**

Cyprus has the potential to utilize the momentum of its current development boom and advance its infrastructure dramatically so soon the country can benefit from the higher standard of living, safer communities and more sustainable environment.

The potential lies in the development of (1) technology parks - including on-campus university, libraries, co-working / co-living centers; (2) tech cities - accelerating urban development of the cities and municipalities by implementing disruptive technologies, circular economy and principles of sustainable development to create modern cities; (3) supportive regulatory environment for the rollout of 5G. Having nationwide 5G coverage is a massive innovation opportunity that can accelerate creation of the new technologies and application of the new business models.



**Tech Island is committed to assist in boosting innovation and build an economic engine with a significant impact on GDP, tax revenue, and job creation for the Cypriot economy by the year 2030.**

**We call on all technology companies and public institutions to join Tech Island and together bring Cyprus to the forefront as a global leader in innovation and technology.**

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