

# **ClusterNet**

## ***A potential regional cluster in Cyprus***

### **Report on Activity 6**

**Nicosia Chamber of Commerce and Industry**

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## Current Situation

Up to now, there have been no explicit cluster policy initiatives for business network creation in Cyprus. Cluster policy is not actually a priority in Cyprus. The barrier to the design and implementation of cluster policies in Cyprus is the fragmented nature of the national economy, which consists of very small enterprises with limited sectoral concentration.

However there are new policies undertaken by the Government focusing on industrial specialisation in the framework of Industrial Policy (1999) such as the incubators measure the promotion of high technology and innovation. The incubators measure was adopted by the Ministry of Commerce, Industry and Tourism and is the only existing scheme of support for start-ups and new, technology-based firms. The government programme for High Tech Business Incubators aims to address some of the structural deficiencies of the manufacturing sector in Cyprus. The purpose is to encourage entrepreneurial activities with higher value added in order to enhance the overall competitiveness of economy. The programme is based on recommendations from an *ad hoc* Technical Committee, which studied the establishment and development of business incubators in Ireland, Israel, Greece and the United States.

In the framework of the Research Promotion Foundation programmes, research clusters are promoted. Clustering at international level is also supported by the EUREKA initiative run by RPF in Cyprus. The Government is funding industrial research projects which will be implemented in the framework of EUREKA.

The implementation of the RISC programme is expected to promote clustering in Cyprus. Some efforts had been made in the past, e.g. in the context of the UNDP and UNIDO Cyprus industrial strategy study (1987-1989) but had not been really implemented. In this report the 'flexible specialisation' issue was promoted and cooperation among firms was suggested. However, the Government of Cyprus has not really implemented this proposed strategy with the exception of a few measures. Emerging again from the same study the creation of the 'A to Z' furniture consortium was supported by the Cyprus Development Bank. A group of about 13 furniture makers agreed to open a joint retail shop, for which they would produce newly designed

products on a specialised basis. The members of the consortium were allowed to keep their own retail shops and their lines of production, but the specialised furniture could only be sold in the joint shop.

'Policy push' in identifying the need for the establishment of clusters is estimated as being important in Cyprus. As mentioned in their study Musyck, B. et. al. (2001) "The examples illustrate that the creation of business networks in Cyprus constitute a policy option that should not be ignored. However, the lack of geographical and industrial concentration is one of the basic problems. There are no clusters of firms, mainly perhaps because no industrial sector is sufficiently important to constitute a minimum critical mass of specialised firms."

For that reason, in the framework of the *National Development Plan (2004-2006)*, the Government foresees supporting new forms of virtual networks of firms (belonging in the same sector).

The virtual clusters that are promoted through the *National Development Plan (2004-2006)* will be established in an effort to enhance SMEs competitiveness through the exploitation of information technology.

The study by B. Musyck et. al. (2001) submitted to the Enterprise DG of the European Commission, evaluated the business networks for innovation. The result was that "the creation of business networks in Cyprus constitutes a policy option that should not be disregarded" and they proposed "virtual networks creation and a closer look at service based industrial branches, which are rapidly gaining importance in Cyprus, at the expense of manufacturing industry".

### Potential Cluster

Recently, the University of Cyprus has been in discussions with other research and stakeholder organisations in Cyprus concerning the creation of an innovation zone in Nicosia which will eventually take the form of an ICT cluster based on research and technological development. The aims of the plan are as follows:

- For the creation of the cluster and innovation zone, the collaboration of universities, research organisations, companies, the state and local authorities is necessary
- A dynamic policy for the development of the innovation zone of Nicosia should be created

Some of the main objectives that need to be achieved in order for this vision to take shape are as follows:

- To create a Nicosia Innovation Zone Development Council which will apply the development policy, form suggestions and develop actions and monitor the progress of the implementation
- The Universities acting in the region of Nicosia, i.e. the University of Cyprus, the Open University of Cyprus, the Cyprus Institute, the Institute for Agricultural Research, the Institute of Neurology and Genetics, and The International Institute of Cyprus need to participate in a collaborative process of creating research culture in the region.
- Establish bilateral research cooperation agreements between the research institutes and the Universities. The University of Cyprus has already established cooperation agreements with the Institute of Neurology and Genetics and with the Cyprus Institute.
- The creation of a Technical Committee formed by representatives of the research and the entrepreneurial community i.e. the Cyprus Chamber of Commerce and Industry, as well as of the state, i.e. the Ministry of Finance to study specific modes of collaboration between them.
- Intensify research activity in high technology areas on an international level and receive funding from the Research Promotion Foundation for the development of research infrastructure

The Nicosia Chamber of Commerce and Industry, in collaboration with the Cyprus Chamber of Commerce and Industry has been active in engaging in discussions with the research organizations and Universities in Cyprus concerning the creation of an innovation zone in Nicosia, and more specifically an ICT cluster which will be based on the research community of the island. The cooperation with international research

organizations and enterprises is constantly being stressed by NCCI, as a purely research community will take more time to bring value and economic return.

The simultaneous development of an ICT cluster within the same geographic region as the innovation zone will both intensify research efforts and draw more research funding, but will also bring results to market faster. NCCI has been in discussions with the Ministry of Commerce and Industry of Cyprus regarding the issue of business incubators in Cyprus. As mentioned above, the MCIT runs the business incubators funding programme in Cyprus and is also responsible for developing a Technology Park in Cyprus (the project is still undergoing feasibility study). The possibility of developing business incubators in the innovation zone is another step towards the easier and faster access of new companies in the market.

### **Next Planned Steps**

NCCI is planning to hold meetings with major ICT enterprises operating in Cyprus, most of which are international companies in order to elicit their feedback as regards developing incentive schemes to enhance the competitiveness of Cyprus SMEs and larger enterprises on the international market. The experience and knowledge to be acquired by larger enterprises is considered a valuable input in the process of shaping the strategy.

Parallel to the above, NCCI will hold meetings and discussions with potentially interested companies in Cyprus concerning their participation in the innovation zone/ cluster and elicit their feedback as regards their expectations from such a structure.

On a next step, NCCI will meet with the Nicosia Municipality in order to discuss and share thoughts, ideas and plans about the nature of the cluster and its main objectives.

## General

As stressed above, the present situation in Cyprus shows a fragmented efforts on a number of parties. The recent developments show a tendency to coordinate activities and arriving in a shared vision forming into a common strategy among the academic and business community, in collaboration with government bodies and local authorities. The research activity in Cyprus has began to set off the ground during the last 5 years and it will nothing else but continue to grow. Success of such a prosperous plan lies in the coordination among various parties and the commitment of the state in facilitating these visions utilizing funds and drafting policies in which to frame these efforts.

## Sources

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