

Innovation Funding: The Case of Cyprus

Christos Mettouris, George A. Papadopoulos

*Department of Computer Science, University of Cyprus, P.O. Box 20537, 1678
Nicosia, Cyprus, {mettour, george}@cs.ucy.ac.cy*

This paper describes the work conducted by the University of Cyprus within the context of the European INTERREG IVC project InnoFun regarding improving regional policies on innovation funding. InnoFun aims to improve regional policies concerning innovation funding in order to achieve the ultimate goal of reducing the (communication) gap between innovation and finance/market/people. We describe the situation regarding innovation and research funding in Cyprus, as well as the key regional players, their decisions, actions and outcomes. We have interviewed key stakeholders regarding the Cyprus situation, we have conducted technical talks with regional experts and have produced reports which were utilized within the project InnoFun and contributed to the production of the Cyprus Pilot Action and the Cyprus Regional Implementation Plan (RIP), which will serve as the outcomes of the InnoFun project for Cyprus. The Cyprus Pilot Action is a specific action that aims to bring businesses and individuals in Cyprus closest to innovation and research funding, while the aim of the Cyprus RIP is to address the lack of gathered and easy to find and access funding information in Cyprus. The paper also discusses the conclusions of this study, as well as our next steps.

Keywords

Funding Websites, InnoFun, Innovation funding, Regional Implementation Plan, Research funding

1. Introduction

The work described in this paper was conducted by the University of Cyprus [1] within the context of the European INTERREG IVC project InnoFun [2] regarding improving regional policies on innovation funding in Cyprus. InnoFun aims to improve regional policies concerning innovation funding in order to achieve the ultimate goal of reducing the communication gap between innovation and finance/market/people. Many innovative ideas in Europe were never implemented only because they were never communicated in an understandable and comprehensive way [2]. The slow selection process for funding is also one of the bottlenecks, with many reasons responsible such as [2]: no culture of pitching in Europe, public funding is done only via written application forms, there is a lack of communication between innovators and finance, public funds are too rigid and risk averse and there is a lack of cooperation between public and private funds. The InnoFun partnership is confident that by simplifying communication, the selection process for funding can be improved and be more effective. This can be done by adopting a clearer application structure, with more transparent selection criteria and also by using new technologies for communication. Moreover, the consortium identified the need of public funds to cooperate with private investors. Thus the project works towards the acceptance and usage of digital communication tools between innovators requesting for funding and regional public finance in order to close the communication gap between them, e.g. by introducing digital resources instead of paper, by adopting digital pitching instead of a letter of interest, by using digital

storytelling instead of an application form and by conducting e-Voting instead of a closed selection process.

In the context of InnoFun, we have interviewed key stakeholders, policy makers and innovation experts in Cyprus in order to determine the level that innovation funding is supported in Cyprus, and more importantly determine important issues and problems regarding innovation funding in Cyprus. The outcomes of this study show that innovation funding in Cyprus seriously lacks of support by key stakeholders and policy makers. We have identified problems on accessing of funding related information by interested parties, as well as with the way the application process is conducted.

The rest of the paper is organized as follows: section 2 describes the situation in Cyprus regarding innovation funding. Section 3 is about the technical talks conducted with regional experts in Cyprus, aiming to distinguish the selection tools and criteria for innovation funding that could be interesting in Cyprus, as well as to identify stakeholders interested to participate in the study and contribute to the outputs of the InnoFun project. Section 4 discusses what needs to be done and how. Section 5 closes the paper by focusing on our next steps, including how to promote the work to be conducted in the context of InnoFun for the benefit of innovation in Cyprus.

2. The situation in Cyprus

We have conducted interviews with key personnel from relevant stakeholders and innovation and research experts from the Cyprus Research Promotion Foundation (RPF) [3], the Ministry of Energy, Commerce, Industry and Tourism [4] and the Directorate General for European Programmes, Coordination and Development (former Cyprus Planning Bureau) [5]. The leading actions (and the only available in the recent years) were two actions by the Cyprus Research Promotion Foundation, namely the “Innovation Vouchers” and the “Specific Action Patent” announced under the Calls for Proposals in the context of the “Framework Programme for Research, Technological Development and Innovation 2009-2010” (DESMI 2009-2010), as well as one action from the Ministry of Energy, Commerce, Industry and Tourism called: “Programme for the Creation of New Enterprises of High Technology and Innovation Through the Institution of Business Incubators”. These actions are described in this section.

2.1 Innovation Vouchers

One of the major barriers that are usually present during the implementation of measures supporting the enhancement of innovation activities in SMEs is their limited ability to adopt and sufficiently exploit these activities. The most significant factors that hinder SMEs involvement with innovation activities originate from the limited experience in Research and Development (R&D) activities, the small size of enterprises, the family structure of most enterprises, as well as the lack of appropriate human resources that could initiate and support such activities. Very often, SMEs do not engage in R&D Programmes since they are discouraged by the complexity of procedures, including the writing of a proposal and the management of a project at national or European level [6]. However, in the last few years, experience from national and European research Programmes has shown that there are signs of improvement regarding the participation of Cypriot SMEs in R&D activities and projects. The participation, however, is limited to a small number of SMEs, which have either in-house capacity for managing R&D projects or systematic assistance from other organizations [6]. Consequently, there is a need for adopting measures that will include

simple procedures as far as it concerns the submission of proposals and the implementation of the projects.

The “Innovation Vouchers” Action is an international initiative that has been successfully applied in many European countries. The Action attempts to establish a simple and effective mechanism, which allows SMEs to understand the significance and the benefits emerging from their participation in innovation activities. The main objective of this Action is to encourage Small and Medium-sized Enterprises (SMEs) to familiarize with the concept of innovation, to participate in innovation activities and, consequently, to improve their competitiveness levels [6]. The Action promotes SMEs to approach research and academic institutions in order to find a solution to a specific problem relating to their operation or their products and services. The action is under the “Grants” type of Funding.

The administering agency, launching agency and funding agency regarding the Cyprus “Innovation Vouchers” Action was the Cyprus Research Promotion Foundation. The total budget of the Call was around €100 000. The value of each Innovation Voucher was around €5 000. In the case the services provided cost less than the face value of the Voucher, RPF will pay the real cost of the services. Unfortunately the Calls have been funded from 2008-2011; no budget was foreseen for 2012 and onwards. For more information about the Cyprus “Innovation Vouchers” Action the interested reader is referred to [6].

2.2 Specific Action Patent

Patents are considered to be a significant tool for promoting innovation as they provide a motive to individuals and enterprises to familiarize with R&D activities for developing new products, methods and processes, and to exploit the relevant exclusive rights. Moreover, patents facilitate the publication of innovations and new inventions to the wide public, prohibiting, at the same time, competitors from copying. Subsequently, patents facilitate a way of exchange between the inventor and society: the inventor publishes its innovation to the public and the state grants him the exclusive right of exploiting the invention for a specific period of time [7]. However, a patent right is not automatically granted for every new invention, as the submission of application to national or international authorities and the payment of annual fees is required. Often, the high cost involved in a patent application prevents inventors from applying for patents. Hence, national authorities and other bodies promoting innovation draft support measures to assist in the increase of the number of patent applications.

Patenting of innovative R&D results is equally important to the generation of these results and the number of national patents is often used to indicate the performance of a region or country in innovation. In 2010, only nine (9) national applications for patents were submitted by Cypriot inventors and enterprises to the National Patent Office. At the same time, the European Innovation Scoreboard 2009 report indicates a number of 25 Cypriot patent applications to the European Patent Office (EPO) per million population, which is relatively low compared to the EU27 average of 115 applications per million population and is pointed out as a weakness of the Cyprus innovation system [7]. The same weakness was also identified in 2004 during the analysis and design of the Cyprus Regional Strategy for Innovation and the present Action is, in fact, an outcome of Measure 1.2 of the abovementioned Strategy [7].

The “Patent” Specific Action provides the means for protecting intellectual property rights, which have emerged from R&D projects and activities that have been concluded in the last five years and were implemented in the context of Programmes announced or administrated

by the Cyprus Research Promotion Foundation, the European Union or other national or international research foundations.

The administering agency, launching agency and funding agency regarding the Cyprus “Patent” Specific Action was the Cyprus Research Promotion Foundation. The total budget of the Call was around €80 000. The maximum funding per application amounts around to €30 000. Unfortunately the Calls have been funded from 2008-2011; no budget was foreseen for 2012 and onwards. For more information about the Cyprus “Patent” Specific Action the interested reader is referred to [7].

2.3 Programme for the Creation of New Enterprises of High Technology and Innovation Through the Institution of Business Incubators

The “Program for the creation of high tech enterprises through business incubators” [8, 9] of the Ministry of Energy, Commerce, Industry & Tourism of the Republic of Cyprus was active from 2003-2007. The follow up program from the Research Promotion Foundation is still pending/expected. The Diogenes Business Incubator of the University of Cyprus [10] had an active role in the action. The overall budget was €7 000 000.

The idea of the action was to support Individuals or small groups of individuals by submitting a business plan meeting a set of selection criteria. The applications should be about non-polluting activities leading to the development of a product, which can be classified in any of the sectors of the manufacturing industry, information technology, software development and other sectors [8]. The basic criteria were innovation, technological viability, marketability of the idea, the possibility to develop the idea within the budget and time framework described in the project proposal and the suitability and adequacy of the team with regard to the scientific and business requirements of the project [8]. Moreover, the marketability of the idea in the global market and the possibility to secure a patent for the product to be developed were also considered.

The applications were submitted to any of the Incubator Companies having a contract with the Government, which would make a first evaluation and would assist the inventor to prepare a full business plan, to form a team for the execution of the plan and to fill in the application form. For more information about the action the interested reader is referred to [8].

3. Technical Talks

In the scope of the work to be done within the InnoFun project, we have conducted technical talks with regional experts in Cyprus with the aim to distinguish which selection tools and criteria for innovation funding could be interesting for Cyprus, as well as identify the stakeholders who would be interested to participate in the development of the Regional Implementation Plan¹. Moreover, the technical talks served as dissemination activities as well through presentations of the project InnoFun and the project findings (up to that stage) to the regional stakeholder.

¹ A Regional Implementation Plan constitutes a sub-objective of the InnoFun project: after creating regional stakeholder networks for the implementation of the measures of the project, the Regional Implementation Plan would ensure that the measures have indeed been developed, as well as to promote good practices beyond the project partnership by the commitment of the stakeholders.

The first technical talk we have conducted was with the CEO of the Diogenes Business Incubator of the University of Cyprus [10]. We have selected the Diogenes Business Incubator as a relevant stakeholder because Diogenes plays an important role in pioneering the transformation of Cyprus into an important centre in the Eastern Mediterranean in the area of commercializing high technology research and innovative ideas through supporting the creation and development of innovative start-ups. In fact, at the time of the technical talk there was a competition initiated and supported by Diogenis in which the “Story Telling” process (also a good practise measure of InnoFun) was selected as the decision and selection process. From the above it was evident that Diogenes Business Incubator is very interested in the InnoFun results.

Technical talks were also conducted with the Ministry of Energy, Commerce, Industry and Tourism, the Research Promotion Foundation Cyprus and the Directorate General for European Programmes, Coordination and Development of the Republic of Cyprus. The Ministry was very interested in the “Digital Pitching” and “Story Telling” methodologies, as well as in studying the best practices applied in other countries participating in the InnoFun Project in order to benefit by adopting them (or parts of them) for the new programmatic period 2014-2020. The Research Promotion Foundation expressed their interest in taking advantage of the InnoFun results for applying best practices in the preparation of the new programmatic period 2014-2020. It is important to note that the Research Promotion Foundation, as a private equivalent body, is more flexible to adopt and apply best practises from other countries participating in the project than other stakeholders. The Directorate General for European Programmes, Coordination and Development was also interested in the InnoFun results, as well as in taking advantage of the best practises from other countries participating in the project. They were particularly interested in studying the monitoring procedures from other countries in the project, as well as how the verification of the deliverables of a funding application that has been approved is conducted by other countries in the project.

In general the stakeholders were very interested in the project topic, and mainly interested in the results of the project, especially regarding the best practises followed by other countries in the consortium. Moreover they were interested in acquiring more information and guidelines about the monitoring procedures and the verification of deliverables from other partners in the project. All stakeholders have shown their interest in participating in a local workshop submit in Cyprus in order to discuss and exchange ideas with InnoFun partners and stakeholders from other countries. The workshop was conducted on the 25th of September 2013 with great success.

4. Cyprus: the Current Situation and What Needs to be Done

4.1 Cyprus: the Current Situation

It would be not an exaggeration to state that from 2011 to late 2012 there were no (local) funding possibilities in Cyprus, not for innovation neither for research. After the closure of the two actions supported by the Cyprus Research Promotion Foundation in 2011, namely the “Innovation Vouchers” and the “Specific Action Patent” (see section 2), as well as the closure of the action from the Ministry of Energy, Commerce, Industry and Tourism in 2007 called: “Programme for the Creation of New Enterprises of High Technology and Innovation Through the Institution of Business Incubators” (also see section 2), no other Calls were announced until late 2012. Through the stakeholder interviews we have been informed that the main reason for this lack of innovation and research funding in Cyprus was mainly due to the

European economic crisis which started to affect Cyprus somewhere between 2010 and continues until present time.

It was not until August 2012 that the Ministry of Energy, Commerce, Industry and Tourism announced the “Action for Supporting Enterprise Innovation” [11]. The total budget for this action was €4 000 000. The action was co-funded by the European Regional Development Fund and the Republic of Cyprus. The aim of the action was to support SMEs that invest in research and innovation for the development of competitive, innovative products and services which are planned to be disposed in the market. More information about the action can be found at [11], unfortunately only in Greek.

4.2 What Needs to be Done

Within the InnoFun project, the University of Cyprus with the aid of another local partner in the project ANETEL [12] have studied and analysed the above information, as well as other relevant information and have specified two major problems regarding innovation funding in Cyprus: i) the fact that innovation funding is limited and was basically absent in 2011-2012, with only one call announced in 2012 and none thereafter, and ii) that it is very difficult to retrieve relevant information regarding innovation funding in Cyprus due to very limited and hard to find online information. The latter was chosen to be the subject of the Regional Implementation Plan for Cyprus within the context of the InnoFun Project, titled “Funding Websites”.

4.3 “Funding Websites”

The lack of available funding information through websites and portals is an important issue in Cyprus and contributes much towards the fact that interested businesses and individuals are not being easily and on-time informed about available funding schemes, and therefore are not able to successfully apply for funding. Such websites, if existed, would aggregate and offer all available information about funding schemes, policies and events, any relevant documents, people to contact with as well as other websites that are useful for applicants. Cyprus is facing extremely high unemployment figures due to the economic crisis, especially for young people. Therefore, all means of innovation funding must be urgently brought to the attention of the interested parties in order to be able to get all the relevant information on the funding schemes and furthermore to be able to apply on time.

More to the point, available funding related information through websites and portals in Cyprus is either entirely absent, or very difficult to retrieve. Some existing websites are the following: the Cyprus Productivity Centre [13] has launched a website named “Cyprus Business Portal” [14]. The objective is to provide business related information and support services, become a tool for promoting products and services through the internet both in Cyprus and abroad and to help develop and promote business cooperation between the Cypriot enterprises as well as foreign companies. The website also includes some information about funding opportunities for innovation. Another relevant website exists also from the Cyprus Productivity Centre which mainly provides e-Government services [15], including a service called “Enimerose me” (Greek for “Inform me”) [16] to which a person can register and specify her interests and the system will automatically forward any relevant information that the user may find interesting (including funding possibilities) via email or sms. It is important to note that the service only exists in Greek. The above websites, as well as the websites of various funding organizations (governmental websites) [3, 4] are often developed ages ago by using outdated technologies, have obsolete user interfaces, contain difficult to understand (formal) expressions, are not continuously updated and often are not

multilingual (many important information exists only in Greek), making the usage of these websites from interested parties very difficult or even impossible. This contributes much towards the fact that interested parties (businesses and individuals) are not being easily and on-time informed about available funding schemes and open calls, as well as they don't have a direct access to the application or/and to any relevant material for the funding scheme, and therefore are not able to successfully apply for funding. Moreover, the information presented may be scattered through the many various websites of the various funding organizations, making the comprehension of these funding schemes from the interested parties even more difficult.

The aim of the Cyprus RIP is to address the lack of gathered and easy to find and access funding information in Cyprus and the difficult and complex procedure of applying for funding by:

- (i) Designing a website that would be appropriate for Cyprus (but on the same time will be able to be applied and used by other countries)
- (ii) Providing the requirements that must be met in order to solve funding related communication and information aggregation issues in Cyprus
- (iii) Gathering all the appropriate information that should be included in the website, e.g. links to corresponding webpages of the Cyprus Ministry of Commerce and Tourism website, or links to appropriate information displayed on the website of the Cyprus Research Promotion Foundation (the website is currently very hard to explore and find information in) and
- (iv) Providing technical support in the development of the website

The website will aggregate and offer easy access to all available information about funding schemes, policies and events, as well as any relevant documents, people to contact with and other websites that are useful for applicants.

Through the Cyprus RIP we expect to achieve a list of measurable indicators, more important of which are: i) more visits to the Funding Website than on the current websites, since the proposed website will be appropriately designed to facilitate funding related information, open calls and schemes, and on the same time support interested parties to successfully apply for funding. This will result to ii) more applications for the funding schemes due to easier access to funding related information, as well as to iii) better prepared applications. Finally, we expect to have iv) more well-informed (and therefore more satisfied and peaceful minded) applicants - a satisfaction-related questionnaire can be published to measure applicant satisfaction. The proposed Funding Website is an achievable task to be implemented by the SEIT Lab of the University of Cyprus [1], while both the lab and ANETEL have very good relations and a long cooperation with the governmental sector and the ministerial departments for collecting all the relevant information for the website.

4.4 Stakeholders involved

The above described Regional Implementation Plan involves a number of regional governmental stakeholders: the Ministry of Energy, Commerce, Industry and Tourism, the Office of the Commissionaire of State Aid Control and the Cyprus Productivity Centre.

The Ministry of Energy, Commerce, Industry and Tourism is very interested in maintaining and updating the Funding Website since many of its announced Funding Calls, as well as other information related to funding schemes, relevant people, ideas and resources will be included in the website to be implemented by InnoFun. Therefore, the Ministry will set as

high priority the provision of all the required information to the InnoFun team in order to keep the website up to date.

The Office of the Commissioner for State Aid Control is also interested in maintaining and updating the Funding Website as many of its announced State Aid Schemes and related information will be included in it. Therefore, the Office of the Commissioner for State Aid Control will set as high priority the provision of all the required information, resources as well as advice to the InnoFun team in order to keep the website up to date.

The Cyprus Productivity Centre's long-term objective is to assist private and public organizations to utilise their human and capital resources in the best possible way so as to increase productivity, as well as supporting and facilitating the adjustment of citizens, organizations, enterprises and others to globalization. Based on the aforementioned, the Cyprus Productivity Centre is very interested in the effect that the website will have on the businesses and individual citizens. The Cyprus Productivity Centre wants to ensure that the website will be truly helpful to its target groups by supporting them through promoting awareness on available funding schemes in Cyprus. Therefore, the Cyprus Productivity Centre will set as high priority the provision of relevant information and valuable advice to the InnoFun team in order to properly develop and keep the website up to date.

All above stakeholders will commit to invest to the preservation, maintenance and the continuous updating of the Informational Funding Website to be created by the project by providing to UCY and ANETEL all relevant material and resources to be published. The website must be updated at all times to be able to serve its cause. Moreover, the stakeholders will invest in making the website well known to the public, promote it and from time to time request user feedback in order to improve it. Therefore, a continues cooperation with ANETEL and UCY is mandatory for collecting relevant data and info for the website in order to keep it updated and active.

5. Future Work

5.1 Next steps

Regarding the next steps on how to proceed with the implementation of the Cyprus RIP, UCY will design and develop the website, as well as perform required updates in the future. It is estimated that after the development, one or two staff will be needed to periodically (one-time a week) update the website with relevant information. The information will be provided by ANETEL and the stakeholders. Moreover, besides informational updates, the staff will be able to extend the functionality of the website if needed.

Responsible for the collection of the relevant information will be ANETEL. It is estimated that two staff members (part time) will be collecting the relevant data and updating the website in close collaboration with the stakeholders.

Moreover, our plan is to educate and train businesses, intermediaries and funders. More specifically, we will improve the quality of the completed application forms for funding by assisting businesses in understanding important issues as to how their business can become funded. We will train businesses to improve their financial planning by producing a guide to financial planning and cash flow. We will provide Trainer Training and 1:1 training for businesses (Specific InnoFun partners can be used that have good external experts and

furthermore are particularly interested in training). Finally, we aim to promote the Cyprus RIP, as described in the next and final subsection.

5.2 How to Promote the Cyprus RIP

In order to promote the Cyprus RIP, we will make the website publicly available and advertise it through the official websites of all main stakeholders, relevant public organizations, Universities, etc.

We will have meetings with the local administration and the district office for promoting the Funding Website and informing them of the necessity of such a website and the value added that can give to the economy and the development at a regional level.

Moreover, we will promote our work and advertise the website in a One Day Stakeholders Meeting Event [17] we will organize under the 7th International Conference for Entrepreneurship, Innovation and Regional Development (ICEIRD 2014) which is organized by UCY and is to take place in Cyprus in June 2014. In the event many relevant stakeholders, decision makers, policy makers, innovation experts and practitioners from Cyprus will participate to generate discussion and exchange on the subject: *"Improving regional policies concerning Innovation Funding with the aim to reduce the communication gap between innovation and finance/market/people, as well as how to bring innovators closer to the funding schemes"*.

UCY and ANETEL also aim to promote the Cyprus RIP and capitalize the results to their partners in other EU projects that they participate.

Finally, we aim to organize a press conference at the time of signing the RIP, as well as when the Funding Website will be finished. Also, articles will be published to the national press.

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