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LEARNING PLATFORM

**Good practice Identification –  
Advice for transferability –  
Innovation in Services  
Young Entrepreneurs of Cyprus**

*February 2008*



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# CHAPTER I: Good practice identification

## 1 General description of the good practice

In 2004, the Cyprus Government, specifically the Ministry of Commerce, Industry and Tourism of Cyprus implemented the Young Entrepreneurs of Cyprus Programme in order to help support entrepreneurship endeavours among young aspiring people who had dreams to launch new business ventures in Cyprus. The programme supported all sectors of Cyprus but gave special attention to the service industries where tourism is greatly important to the Cypriot economy.

The programme is applied on a yearly basis and proposals must be submitted within a specified period of time at the Ministry of Commerce, Industry and Tourism. The Cyprus government funds 50% of the approved budget. The costs covered by the programme include: infrastructure, equipment, external expertise, and marketing and promotion expenses. Successful candidates must register a limited company, whilst all shareholders must be employees of the company.

The programme has had significant impact on the Cypriot industries, by promoting the creation of new SMEs and thus creating new employment opportunities for the economy. The new 2007-2008 programme of the Young Entrepreneurs in Cyprus Programme will be beginning in November of 2007.

## 2 Please describe the selected good practice<sup>1</sup> in terms of:

### 2.1 Uniqueness:

<b>Measure Name:</b>	Young Entrepreneurs in Cyprus Programme		
<b>General description/rationale:</b>			
The Young Entrepreneurs in Cyprus Programme that began in Cyprus in 2004 has the aim to develop, support and encourage entrepreneurship among young people who wish to launch ventures in the sectors in Cyprus (either in manufacturing sector or in specific service sector activities in tourism, commerce, and other services). Tourism is a very important service industry in Cyprus.			
<b>Innovative characteristics as regards:</b>			
<b>Methodology</b>	<b>Organization</b>	<b>Function</b>	<b>Results</b>
The aim of the programme is to develop, support and encourage entrepreneurship among young people between the ages of 20-39, who wish to launch ventures in the sectors of manufacturing and/or in specific activities in tourism, commerce, and services. This scheme concerns men	The programme is funded by the Cyprus Government. The percentage of the government grant is 50% of the approved budget.  The programme is applied on a yearly basis and proposals must be submitted within a specified period of time at the Ministry of	The main aim of this programme, apart from the strengthening of the entrepreneurial activities of young people, is the creation of new modern viable enterprises, the development of innovative projects, new technologies and new products, as well as the support of services that enhance quality and the development of tourism.  Eligible candidates may	Results for the years 2004-2005 are the following: In 2004, number of applications: 60, new SMEs created: 19, new employment positions:60;  In 2005, number of applications: 51, new SMEs created: 23, new employment positions created: 64

<sup>1</sup>A technique or methodology that has proven to reliably lead to the result that has been aimed for; An activity or procedure that has produced outstanding results in another situation and could be adapted to improve effectiveness, efficiency, ecology, and/or innovativeness in another situation.

<p>and women who have not had any previous business activity in any sector, for a period of 12 months before the date of submission of their proposal.</p>	<p>Commerce, Industry and Tourism. The programme has a maximum public contribution of £35,000 for projects under the chapter D of the NACE Rev. 1 code (manufacturing Sector) and £25,000 for the rest of the economic activities.</p>	<p>participate in only one proposal and their participation must equal a percentage of 75%, at least, of the total share/corporate capital. Successful candidates must register a limited company, whilst all shareholders must be employees of the company. The employees of the new enterprise must attend a special training and development programme organised and subsidized by the Human Resource Development Authority of Cyprus on issues such as entrepreneurship, operational programming, economic planning, firms' law and marketing.</p> <p>The costs covered by the programme include infrastructure (buildings), equipment, external expertise (consultants, studies), and marketing and promotion expenses.</p>	
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## 2.2 Relevance:

<b>Problem</b>	<b>Solution that was provided</b>
Lack of entrepreneurial spirit in Cyprus and the need for more innovative companies	The programme promotes entrepreneurs who have never had any previous business activity in any sector to create a new business venture by submitting a creative and innovative business proposal.
Lack of business knowledge	The employees of the new enterprise funded by the programme must attend a special training and development programme organized and subsidized by the Human Resource Development Authority of Cyprus on issues such as entrepreneurship, operational programming, economic planning, firms' law and marketing.
Lack of start-up capital for new companies	Funding for start-up capital is provided by the Cyprus Government. The costs they cover include infrastructure, equipment, external expertise, and marketing and promotion expenses.
Not enough employment opportunities	In 2004, the programme created 60 new employment positions by funding/creating 19 new SMEs. In 2005, the programme created 64 new employment positions by funding/creating 23 new SMEs.

### 2.3 Effectiveness:

The programme has a powerful expected impact besides the strengthening of the entrepreneurial activities of young people, for example, its impact includes: the creation of new modern viable enterprises, the development of innovative projects, new technologies and new products, as well as the support of services that enhance quality and the development of tourism.

Results for the years 2004-2005 are the following:

	<b>2004</b>	<b>2005</b>
Nr of applications	60	51
Nr of applications approved	19	23
Amount of government grant	Cyp 412.076	Cyp 429.110*
New employment positions	60	64
Amount of government grant speeded	Cyp 130.704	-

\*Approved budget Cyp 400.000

Selected expenditure

i. Equipment and buildings

ii. Formation of premises, promotion, dissemination and other expenses.

### 2.4 User satisfaction:

This programme is solely supported by public funding and the organization of the Ministry of Commerce, Industry and Tourism. The Cypriot Ministry offers an array of public aid schemes and programmes for Cypriot business endeavours in order to promote economic and technological development of the small and medium enterprises of Cyprus. This type of aid has greatly impacted the economic and industrial development in all of Cyprus and should be continued. The effects are noticed especially by the creation of new employment positions and opportunities. The actual target group for this implemented programme are young entrepreneurs (men or women) between the ages of 20-39 who wish to start a new small business in either manufacturing or in services (mainly tourism).

### 2.5 Recognition:

The programme is recognized nationally by the Ministry of Commerce, Industry and Tourism of Cyprus, by the Human Resource Development Authority of Cyprus, and by national universities that support the programme by also creating organizations/associations for example like the Young Entrepreneurs Club.

Internationally, the programme, Young Entrepreneurs of Cyprus, and also its sister programme geared solely towards women entrepreneurs, are recognized by the organization, "YES for Europe," which is the main association of young entrepreneurs in Europe (representing around 37.000 young entrepreneurs under 40 years old) and aims at improving the economic and social performance of European entrepreneurship, a local aim of the Cypriot programme.

### 2.6 Context dependency:

The programme for Young Entrepreneurs in Cyprus was initiated because of the specific entrepreneurial situation in Cyprus and the need to increase employment opportunities. Public organizations and associations felt that there was a lack of entrepreneurial spirit in Cyprus and that there was a need for more innovative companies and entrepreneurs. In 2002, the programme for young women entrepreneurs was first initiated to support women in business. In 2004 the programme developed into the Young Entrepreneurs Programme in Cyprus and was open to both men and women

in either manufacturing or services industries. After implementation of the programme, it was also realized that there was a lack of business knowledge among young entrepreneurs, which is what caused the programme to additionally include special training and development on issues such as entrepreneurship, operational programming, economic planning, law and marketing.

The programme is funded by the Cyprus government and the percentage of the government grant is 50% of the approved budget. The programme is applied on a yearly basis and proposals must be submitted within a specified period of time at the Ministry of Commerce, Industry and Tourism. The programme has a maximum public contribution of £35,000 for projects under the chapter D of the NACE Rev. 1 code (manufacturing Sector) and £25,000 for the rest of the economic activities.

## **2.7 Replication:**

This initiative is interesting and organized very well. Although many programmes throughout Europe exist that promote, support, and assist young entrepreneurs in their new business endeavours, this programme combines factors that better assure successful outcomes and impact. The proposals mandate that the candidate's participation must equal at least 75% of the total share/corporate capital and that successful candidates must register a limited company whilst all shareholders must be employees of the company. These types of conditions guarantee the presence of responsible and serious candidates who are determined to succeed in opening a new company. Additionally the programme combines funds with training. It does not award funding and then leave it in the hands of inexperienced entrepreneurs to hope they succeed. Instead, the awarded recipients must attend subsidized business training, in entrepreneurship, operations, law, marketing, etc.

The creation of new small businesses and thus new employment opportunities and increased market competition can summarize the expected impact of this type of programme. Any initiative that supports the creation of new small businesses will also greatly impact employment. The Cyprus programme creates an average of 60 new positions annually since its start in 2004. Evidently, this is a type of programme that can easily be replicated in any region, provided there exists public funding and organization.

### **The way the program is executed is the following:**

The Ministry of Commerce, Industry, and Tourism, Department Industrial Development Service, under Public Aid (Schemes and Programmes) publishes an annual announcement for youth that are interested in participating in the Young Entrepreneurship Programme. They publish the total budget available and the deadline for submission of applications.

Restrictions are enforced. Men and women who apply must be between the ages of 20-39 and have not had any previous business activity in any sector, for a period of 12 months before the date of submission of their proposals. If approved, successful candidates must register a limited company, whilst all shareholders must be employees of the company. The percentage of the government grant is 50% of the approved budget.

Additionally, the employees of the new enterprise must attend a special training and development programme organized and subsidized by the Human Resource Development Authority of Cyprus.

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## **CHAPTER II: Advice for transferability**

### **4 Introduction to the proposed action**

#### **4.1 What are the main actions to be promoted to meet the objective?**

Service firms are generally weaker innovators because their innovations are ‘less visible’. The few existing policies targeting service innovation aim primarily at ICT development and use. Clearly, greater attention is needed to raising awareness of public policies and programmes among service-sector firms, but it will also be important to design programmes to be more relevant and useful to the service sector.

European innovation policy strategies must:

- take into account the strong needs to strengthen the companies and public agencies’ capabilities for service innovation;
- enable various knowledge providers to become more active partners for the dynamic service innovation companies;
- assist public authorities and development agencies to develop a more proactive and well coordinated commitment to support service innovation processes, and;
- build up a knowledge base to support policy learning in service innovation development.

**The most relevant actions to be promoted are:**

- 1) Set-up of a think-tank;
- 2) Set-up of a dialogue platform;
- 3) European repository of knowledge and good practices on innovations in services;
- 4) Produce a set of reports on the needs and requirements of service innovation in both service and manufacturing firms.

#### **4.2 What is the problem for which the cited measure is trying to provide an answer?**

**In general:**

- Lack of sufficient political attention to service innovations;
- Too ‘narrow’ innovation policies;
- Too ‘superficial’ existing policies;
- Poor access to knowledge basis;
- Monitoring tools of European innovation policy results.

**Young entrepreneurs:**

- Lack of entrepreneurial spirit in Cyprus and the need for more innovative companies;
- Lack of business knowledge;
- Lack of start-up capital for new companies;
- Not enough employment opportunities;

#### **4.3 What is the general status of the recognition in the market of the necessity to invest in the proposed policy theme?**

Services are still largely neglected by innovation policies and it is necessary to address the issue of policy relevance and accessibility at both EU and national level. There is a weak basis of knowledge and understanding of service innovation and service innovation processes and the attention is

increasingly drawn towards a greater need of developing initiatives and instruments that also encompass characteristics of service functions, along with those of more “traditional” sectors.

To date, innovation policy measures in most EU countries have not been attuned to the service sector. Only a few countries have integrated services-related elements into their innovation policies and participation of service-sector firms in sector-neutral programmes remains low. The few policies targeting service innovation aim primarily at ICT development and use.

#### **4.4 How is the main policy theme communicated in the market/which guidance material is already available?**

Very little attention has been paid to innovation in services or to its policy implications in Europe. Innovation in services has been largely ignored. Only a few countries have integrated services-related elements into their innovation policies and participation of service-sector firms in sector-neutral programmes remains low. The few policies targeting service innovation aim primarily at ICT development and use.

#### **4.5 What is the expected outcome of the proposed actions?**

- 1) Share, collect and disseminate under a repository format, knowledge, information and best practices in the field of service innovation, both within the Member States and also beyond Europe, having in view to accelerate the learning process in the identified field, create a common awareness and understanding and provoke a mind-set change that is required in order to prepare the public sector for the adoption of new and improved innovation policies that take into account the importance of services as a powerful economic force in the contemporary and future European Union.
- 2) Propose concrete policy measures to better support Innovation in Services in the EU and help reform-minded policymakers implement their programs more effectively.

## **5 The innovation policy measure and its context**

### **5.1 National and regional governance: please provide a description of the modalities of implementation of the proposed actions. Examples of elements to be taken into account are the role of the institute, the nature and characteristics of that institute that are important for a successful implementation of the good practice.**

The programme is funded by the Cyprus Government and has been running since 2004. The percentage of the government grant is 50% of the approved budget.

The programme is applied on a yearly basis and proposals must be submitted within a specified period of time at the Ministry of Commerce, Industry and Tourism. The programme has a maximum public contribution of £35,000 for projects under the chapter D of the NACE Rev. 1 code (manufacturing Sector) and £25,000 for the rest of the economic activities.

#### **The way the program is executed is the following:**

The Ministry of Commerce, Industry and Tourism, Department Industrial Development Service, under Public Aid (Schemes and Programmes) publishes an annual announcement for youth that are interested in participating in the Young Entrepreneurship Programme. They publish the total budget available and the deadline for submission of applications.

Restrictions are enforced. Men and women who apply must be between the ages of 20-39 and have not had any previous business activity in any sector, for a period of 12 months before the date of submission of their proposals.

If approved, successful candidates must register a limited company, whilst all shareholders must be employees of the company. The percentage of the government grant is 50% of the approved budget. Additionally, the employees of the new enterprise must attend a special training and development programme organized and subsidized by the Human Resource Development Authority of Cyprus.

## **5.2 National and regional economic structure of the region where the practice has been developed. We are looking for the main factors for success for implementing the suggested measure.**

The economy of Cyprus is relative vulnerable, because it is a small island where the income greatly depends on tourism. Tourism is greatly important to the Cypriot economy, but this sector is very much conjuncture sensitive. But there is a low inflation, little unemployment and a healthy monetary policy, what makes that external shocks can be moderate relatively easy. Cyprus has a strategic location and well educated work forces. There was also economic growth the last few years.

Although there exist many programmes throughout Europe that promote, support and assist young entrepreneurs in their new business endeavours, this programme combines factors that better assure successful outcomes and impact. The proposals mandate that the candidate's participation must equal at least 75% of the total share/corporate capital and that successful candidates must register a limited company whilst all shareholders must be employees of the company. These types of conditions require the show of responsible and serious candidates who are determined to succeed in opening a new company. Additionally the programme combines funds with training. They do not award funding and then leave it in the hands of inexperienced entrepreneurs to hope they succeed. Instead, the awarded recipients must attend subsidized business training, in entrepreneurship, operations, law, marketing, etc.

## **5.3 The policy measure itself: what was it all about? Who were the actors involved, what actions have been undertaken and which result and impact has been achieved?**

In 2004, the Cyprus Government, specifically the Ministry of Commerce, Industry and Tourism of Cyprus implemented the Young Entrepreneurs of Cyprus Programme in order to help support entrepreneurship endeavours among young aspiring people who had dreams to launch new business ventures in Cyprus. The programme supported all sectors of Cyprus but gave special attention to the service industries where tourism is greatly important to the Cypriot economy.

The programme is applied on a yearly basis and proposals must be submitted within a specified period of time at the Ministry of Commerce, Industry and Tourism. The Cyprus government funds 50% of the approved budget. The costs covered by the programme include: infrastructure, equipment, external expertise and marketing and promotion expenses. Successful candidates must register a limited company, whilst all shareholders must be employees of the company.

The **main aim** of this programme, apart from the strengthening of the entrepreneurial activities of young people, is the creation of new modern viable enterprises, the development of innovative projects, new technologies and new products, as well as the support of services that enhance quality and the development of tourism.

The programme has had **significant impact** on the Cypriot industries, by promoting the creation of new SMEs and thus creating new employment opportunities for the economy. The new 2007-2008

programme of the Young Entrepreneurs in Cyprus Programme will be beginning in November of 2007.

**Results for the years 2004-2005 are the following:**

In 2004, number of applications: 60, new SMEs created: 19 and new employment positions 60. In 2005, the numbers of applications were 51, the new SMEs created 23 and the new employment positions created 64.

## **6 The adaptability and transferability of the proposal**

### **6.1 Why is it worthwhile to invest in the proposed action/tool? Did the feasibility study and good practice identification demonstrate substantial added value?**

The action can help ministries and national innovation and development agencies in formulating such broader and deeper innovation policies by assessing good practice, analysing particular needs and requirements of service innovation and giving advice concerning content – practical policy content advice.

Young aspiring people have often problems to launch new business ventures. The Young Entrepreneurs of Cyprus Programme supports entrepreneurship endeavours among these young people. The programme makes the Cypriot economy stronger and creates new modern viable enterprises and job opportunities.

### **6.2 If there is to be decided to invest in the proposed action/tool, what are the main factors to pay specific attention to?**

The proposals mandate that the candidate's participation must equal at least 75% of the total share/corporate capital and that successful candidates must register a limited company whilst all shareholders must be employees of the company.

The programme combines funds with training. They do not award funding and then leave it in the hands of inexperienced entrepreneurs to hope they succeed. Instead, the awarded recipients must attend subsidized business training, in entrepreneurship, operations, law, marketing, etc.

### **6.3 What is the expected impact of implementing the proposed action/tool?**

The creation of new small businesses and thus new employment opportunities and increased market competition can summarize the expected impact of this type of programme. Any initiative that supports the creation of new small businesses will also greatly impact employment. The Cyprus programme creates an average of 60 new positions annually since its start in 2004.

The programme has a powerful expected impact besides the strengthening of the entrepreneurial activities of young people, for example, its impact includes: the creation of new modern viable enterprises, the development of innovative projects, new technologies and new products, as well as the support of services that enhance quality and the development of tourism.

**6.4 Based on the insights gained in the feasibility studies and good practice identification, what is the judgement/advice on the support that already has been created by stakeholders?**

This programme is solely supported by public funding and the organization of the Ministry of Commerce, Industry and Tourism. The Cypriot Ministry offers an array of public aid schemes and programmes for Cypriot business endeavours in order to promote economic and technological development of the small and medium enterprises of Cyprus. This type of aid has greatly impacted the economic and industrial development in all of Cyprus and should be continued. The effects are noticed especially by the creation of new employment positions and opportunities.

**6.5 What is the advice on how to disseminate the action/tool?**

The preceding project is a good example of supporting innovation in services. Looking at the specific nature and focus of the project, tourism is a grateful sector to invest in. The manner in which tourism is supported is innovative too: in most cases companies active in tourism do only get a grant but few support as regards the content of their work. The combination of giving financial support in combination with training reduces the risks for failure significantly. In this manner the threshold to found new business ventures is reduced. New businesses do have an immediate impact on the (local) economy since jobs are created and that visitors to a region do not only spend money in the new venture that has been created due to the project. Results demonstrate that the initiative has a clear and perceptible impact. Regions that are developing their tourism could gain with such a project. However there is one factor to pay attention too: since the project is focusing on young entrepreneurs there might be the risk for the creation of a large number of cafés, bars and clubs only while tourism is more than cafés alone.