



Inclusive Entrepreneurship Policies: Country Assessment Notes

Cyprus, 2018



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FOREWORD

Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group or personal characteristics. This is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. Among the key targets of inclusive entrepreneurship policies and programmes are women, youth, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities. ‘The Missing Entrepreneurs’ series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union discuss how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.

The proportion of the working population that is self-employed has declined in Cyprus over the last decade and this decline has been observed among various groups, notably youth. However, the self-employment rate for women has been relatively stable in recent years. The 2015 National Policy Statement for the Entrepreneurial Ecosystem provides an overall strategy for entrepreneurship policy and includes a small number of tailored support offers for youth and women. Inclusive entrepreneurship support is in the early stages of development in Cyprus and policy makers should prioritise improving access to mainstream supports for groups such as women and youth over the development of a suite of tailored programmes given the small size of the country.

This note is the third in a series of annual country assessments prepared by the OECD in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each European Union Member State. Each note provides an overview and assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment, and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector. The 2018 notes include an additional section on female entrepreneurship support, which provides an overview of the entrepreneurship activity levels, obstacles faced and policy responses.

The notes are part of a wider programme of work by the OECD and the European Commission that includes ‘The Missing Entrepreneurs’ publications, the Better Entrepreneurship Policy Tool (www.betterentrepreneurship.eu), a series of Policy Briefs on specific target groups, policies and issues, and country reviews of youth entrepreneurship and women entrepreneurship. For more information please refer to: <http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm>.

ACKNOWLEDGEMENTS

This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes were prepared as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director. They provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

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KEY MESSAGES

- Inclusive entrepreneurship policies, along with mainstream entrepreneurship policies, have risen up the political agenda over recent years. The 2015 “National Policy Statement for the Entrepreneurial Ecosystem” provides an overall strategy and actions for entrepreneurship development, while “Restart 2016-2020” of the Research Promotion Foundation includes a series of initiatives to enhance research and innovation in the country. While existing schemes outline tailored actions for specific groups, such as the Scheme for the Enhancement of Youth Entrepreneurship, current offerings are not sufficiently targeting all social groups in the country.
- Self-employment declined over the last decade and the self-employment rate was below the European Union average in 2017 (11.4% vs. 13.7%). Self-employment rates have declined for all targeted groups since 2008, in particular among men (23.0% vs 13.8 in 2017) and older people (25.2% vs 16.9% in 2017).
- Inclusive entrepreneurship policies and programmes could be strengthened by (i) make entrepreneurship training programmes more responsive to each targeted social group; (ii) re-introduce microfinance schemes for entrepreneurs from under-represented and disadvantaged groups; (iii) update the National Policy Statement for the Entrepreneurial Ecosystem and related action plan during annual consultations to include tailored actions for under-represented and disadvantaged groups; and (iv) use media, and education institutions to promote role models, success stories, and networking.

1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS

The National Policy Statement for the Enhancement of the Entrepreneurial Ecosystem in Cyprus is the main policy in support of entrepreneurship in Cyprus. It was adopted on 14 December 2015 and outlines the Government's vision to boost economic growth by growing an entrepreneurial spirit and strengthening the entrepreneurial ecosystem. The National Policy Statement promotes Policy Actions under five Priority Axes:

- Cultivating the entrepreneurial culture
- Improving the business environment
- Enhancing the entrepreneurial innovation
- Facilitating access to finance
- Improving access to markets

The National Policy Statement focuses on strengthening entrepreneurial skills and activities for all and highlights a need to enhance support for youth and female entrepreneurship. Overall quantitative objectives and targets on business creation as well as a monitoring system are set. These do not cover all social groups: no entrepreneurship targets are set for older people, the unemployed, people with disabilities and migrants, for example. Although not mentioned in the policy statement, their support is foreseen through mainstream programmes.

An additional major initiative is the RESTART 2016-2020 programme, launched in October 2016 by the Research Promotion Foundation (RPF), the main research funding agency in Cyprus. The RESTART 2016-2020 initiative is an umbrella programme that was developed in conjunction to the 2015 National Policy. This programme seeks to enhance the development of the national entrepreneurial ecosystem through a focus on three pillars: Research, Technological Development, and Innovation.

Strengthening under-represented groups in entrepreneurship is part of the long-term objectives of Cyprus. The recent National Reform Programmes (guiding the implementation of the Europe 2020 Strategy at the national level) also drive policy efforts: The 2015 National Reform Programme led to the formulation of the national policy statement and the accompanying action plan. Cyprus set Europe 2020 targets for employment, which are slightly higher than the European targets (e.g. an employment rate of 75-77% relative to 75% in the EU), and to have 27 000 fewer people at risk of poverty or social exclusion. Currently (2017), the employment rate stands at 70.7% (vs. 72.2% for the EU). 2016 figures illustrate that 27.7% of the population are at risk of poverty or social exclusion, which is above the EU average of 23.5% (for 2016). Inclusive entrepreneurship policies and programmes are part of the suite of policy actions used to achieve these targets.

2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

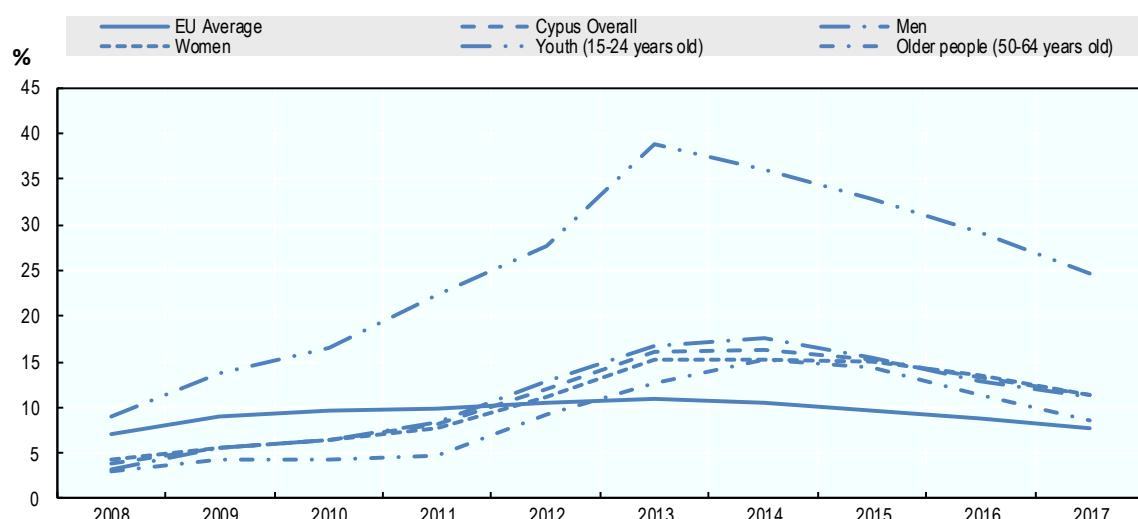
2.1. Labour market context

The unemployment rate in Cyprus was 11.3% in 2017, up from 3.8% in 2008 but down from a peak of 16.3% in 2014 (Figure 1). The economic crisis and more precisely the bank bail-in that erupted in 2013¹ contributed significantly to this growth in unemployment. Since 2014, the unemployment rate has decreased by over five percentage points, but remains above the EU average of 7.8% in 2017. It should be noted that between 2007 and 2011, unemployment in Cyprus was below the average for the EU.

Youth unemployment is particularly high in Cyprus. The youth unemployment rate more than tripled between 2008 and 2013, when it peaked at nearly 40%. While it has been steadily decreasing ever since, it remains among the highest in the EU at 24.7% in 2017.

Men and women in Cyprus had similar rates of unemployment in 2017 (11.2% and 11.4% respectively). By contrast, unemployment among older people (50-64 years old) has been declining faster than the national average in recent years. At 8.5% in 2017, it was significantly under the Cyprus average, but still the third highest unemployment rate in the EU among this age group.

Figure 1. Unemployment rate, 2008-17



Source: Eurostat (2018), Labour Force Survey.

¹ The Cypriot ‘bail-in’ used deposits and banking controls to contribute to the rescue of the banking sector, as part of a broader bailout package agreed with Troika in 2013. Depositors in two of the country’s major banks (Laiki Bank and Bank of Cyprus) with more than EUR 100 000 in their accounts were forced to write-off their holdings (in excess of EUR 100 000).

2.2. Self-employment and entrepreneurship rates

More than one-in-ten people (11.4%) was self-employed in Cyprus in 2017, which was slightly below the EU average (13.7%). This proportion has declined in Cyprus over the past decade, falling from 16.9% in 2008 (Figure 2a). A decline in self-employment rates was observed across most demographic groups, including men, youth, women, and older people. Older people continue to be the demographic with the highest rate of self-employment in Cyprus (16.9% in 2017), close to the EU average for seniors (17.9%). At 4.4%, youth was the group with the lowest share of self-employed workers, also close to the EU average for this group (4.0%). Cypriot men were more likely than women to be self-employed in 2017 (13.8% vs. 8.9%).

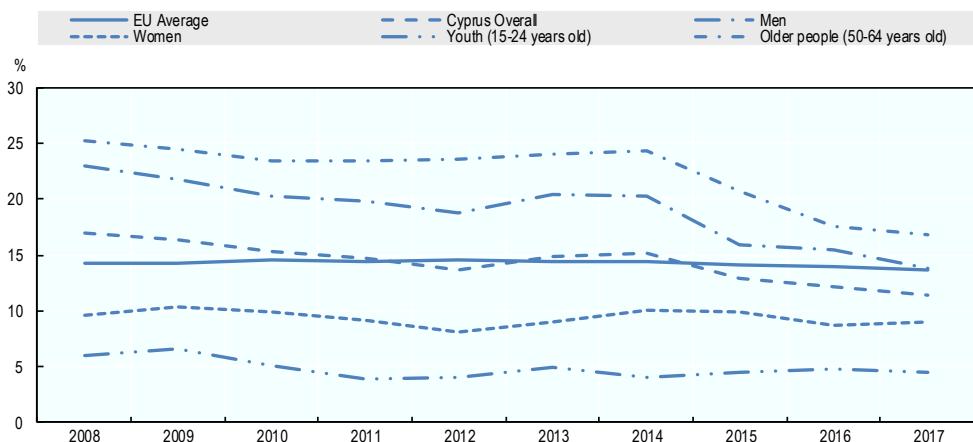
Another way to examine the level of entrepreneurship activities is to use the Total early-stage Entrepreneurial Activity (TEA) rate, which measures the share of individuals in the working age population who are involved in setting up or managing a new business (less than 42 months old). Overall, 9.9% of the working age population in Cyprus were new entrepreneurs over 2013-17, above the EU average (6.7%). Men (13.1%) and youth (9.7%) were more likely to engage in business start-up activities than women (6.5%) and seniors (5.6%), but all four groups were more entrepreneurial than the corresponding EU average (Figure 2b). Many of these activities were in sectors such as professional services, tourism and trade, where Cyprus maintains relevant advantages and supportive infrastructure (GEM, 2017).

Over a quarter (25.6%) of early-stage entrepreneurship activities in Cyprus over 2013-17 were initiated because the entrepreneur could not find employment (Figure 2c). This was above the EU average for the same period (20.3%). Among the targeted social groups, women (32.8%) and seniors (25.4%) were the most likely to have started a business due to a lack of employment options. While entrepreneurs from all groups were more likely than their EU counterparts to be driven by necessity, the gap was larger for youth and women. The higher rate of the necessity of entrepreneurship among youth may be partly linked to the high youth unemployment rates.

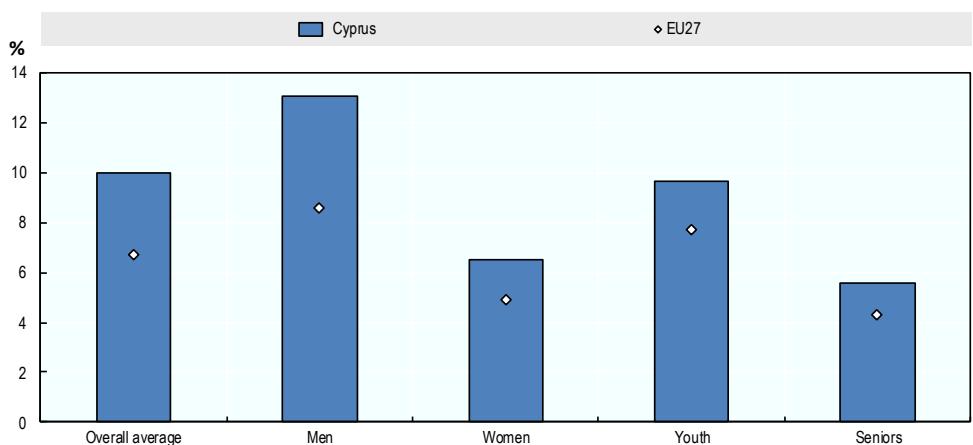
Cypriots were much more likely to expect to create a business in the near future (19.9%) than the EU average (12.6%) over 2013-17 (Figure 2d). Youth were the most likely to expect to create a business within the next three years (28.6%), significantly above the EU average for this group (20.4%). Men were also quite likely to expect to start a business (23.9%). Women (15.7%) and older people (10.3%) were less likely to expect to create a business in the next three years, but all these proportions were above the EU averages for the corresponding group. While this may reflect a robust entrepreneurship culture, there is also likely a strong influence of the current labour market conditions – Cyprus had the fourth highest unemployment rate among EU countries in 2017.

Figure 2. Entrepreneurship rates by target group

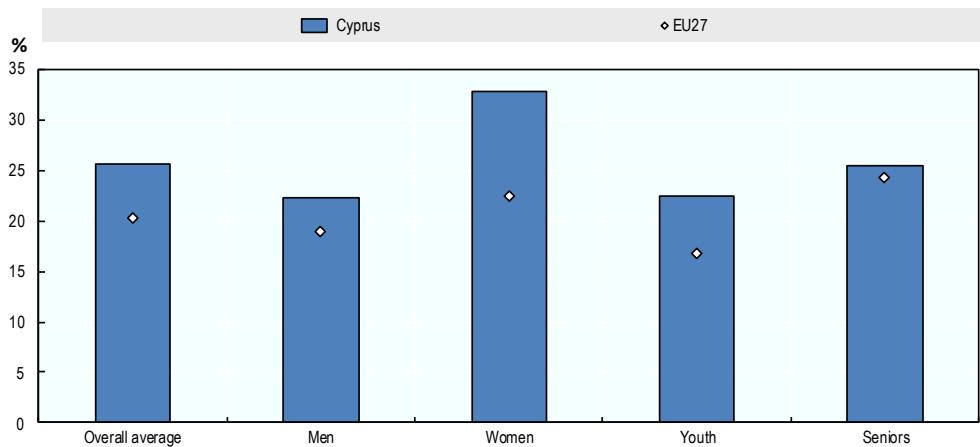
a. Self-employment rate, 2008-17



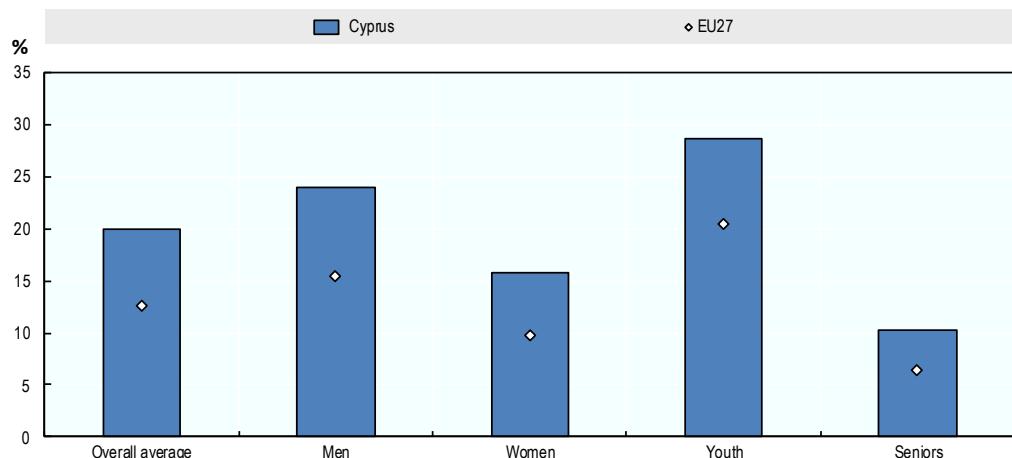
b. TEA-Rate, 2013-17



c. Proportion of TEA that is necessity entrepreneurship, 2013-17



d. Proportion who expect to start a business in the next 3 years, 2013-17



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total early-stage Entrepreneurial Activity rate, which is defined as the proportion of the population actively involved in pre-start-up activities and those who have started a new business within the last 42 months. The proportion of TEA that is necessity entrepreneurship is the proportion of entrepreneurs involved in setting-up a new business or operating a business that is less than 42 months old, who were motivated to start their business because they had no better options for work. Data for panels b, c, and d were pooled for the period 2013-17, producing an unweighted average. The EU27 average in panels b, c, and d covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: Panel a contains data from Eurostat (2018), Labour Force Survey; Panels b, c, and d contain data from the 2013 to 2017 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2018).

2.3. A profile of the self-employed

In 2017, nearly half of the self-employed work in Wholesale and retail trade (13.5%), Construction (12.3%), Education (11.1%), and Other service activities (11.1%), which includes activities of membership organisations, repair of computers and personal and household goods, and other personal services. The share of self-employed working in Education and Other service activities exceeded the EU average in 2017 (2.8% and 5.3%).

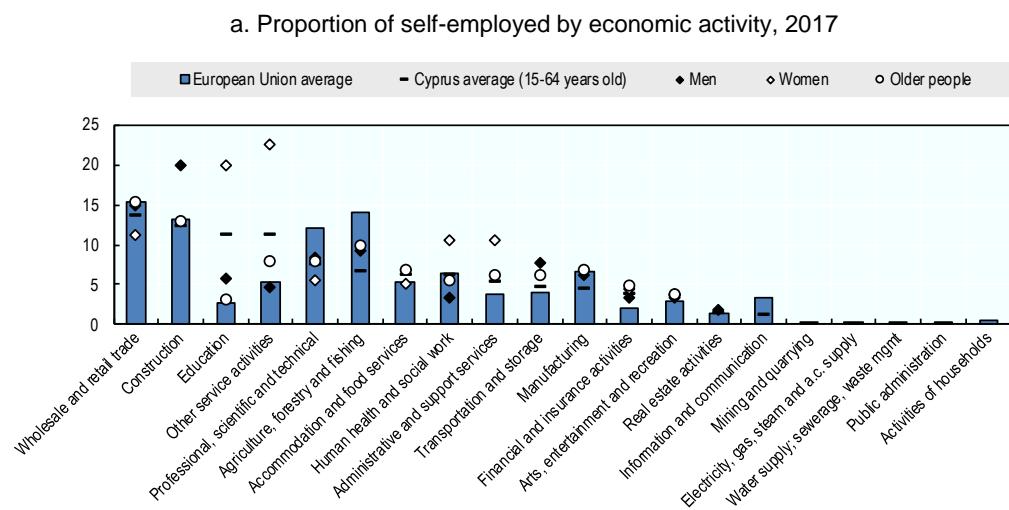
Some gender differences can be observed in self-employment activities by sector (Figure 3a). Self-employed women were more likely to be working in Other service activities (22.5% vs. 4.6%), Education (20.0% vs. 5.7%), and Human health and social work (10.6% vs 3.4%) in 2017.

Self-employment data by sector for self-employed youth are not available. However, the distribution of self-employed older people by sector is approximately equal to the overall average. The exception was that they were less likely to be working in Education in 2017 (3.1% vs. 11.1%).

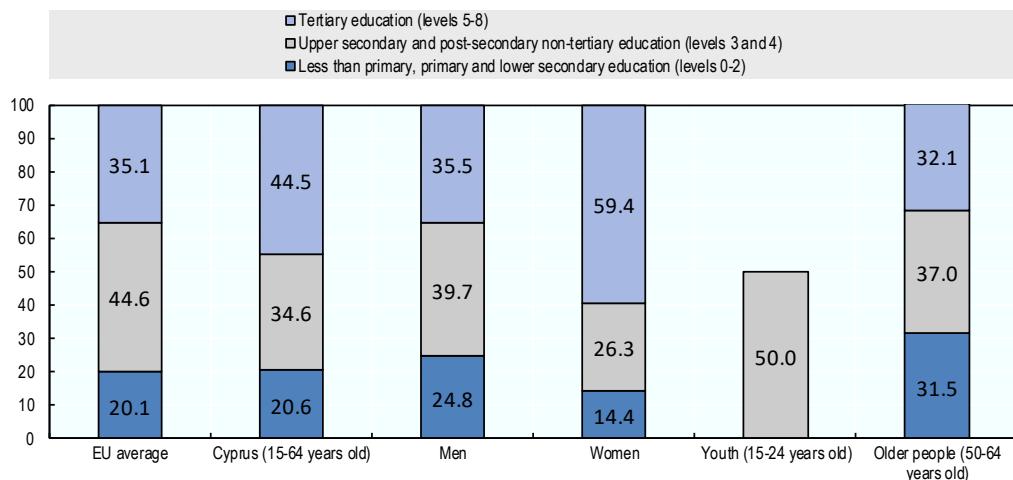
The self-employed were more likely to have a tertiary education than the EU average in 2017 (44.5% vs. 35.1%) (Figure 3b). However, the proportion of the self-employed with less than a lower secondary education was the same (20.6% vs. 20.1%). The majority of self-employed women had a tertiary education in 2017 (59.4%), which was almost double the proportion of men (35.5%). Older self-employed people were less likely to have a tertiary education, which is common across EU countries.

About half of the self-employed worked as Professionals (24.9%) or Service and sales workers (23.2%) in 2017 (Figure 3c). Self-employed women were more active in these occupations than self-employed men (35.0% vs. 18.7% as Professionals; 37.5% vs. 14.5% as Service and sales workers). Conversely, self-employed men were more active as Craft and related trades workers (27.1%) and Technicians and associate professionals (12.6%). Data for self-employed youth are not available, while data for self-employed older people indicate that they are about as likely to work in all occupations as the overall average.

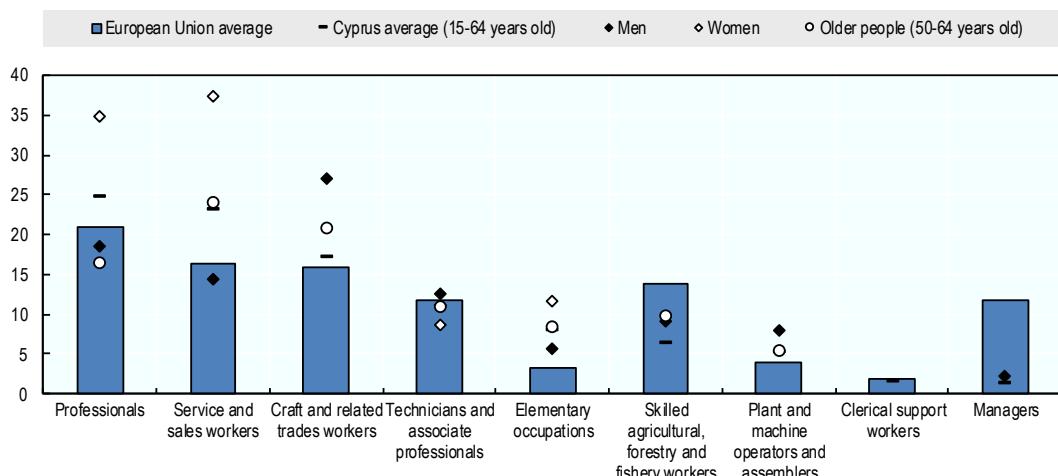
Figure 3. Characteristics of self-employed workers by target group



b. Proportion of self-employed by educational attainment, 2017



c. Proportion of self-employed by occupation, 2017



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed.

Source: Eurostat (2018), Labour Force Survey.

2.4. Barriers to business creation

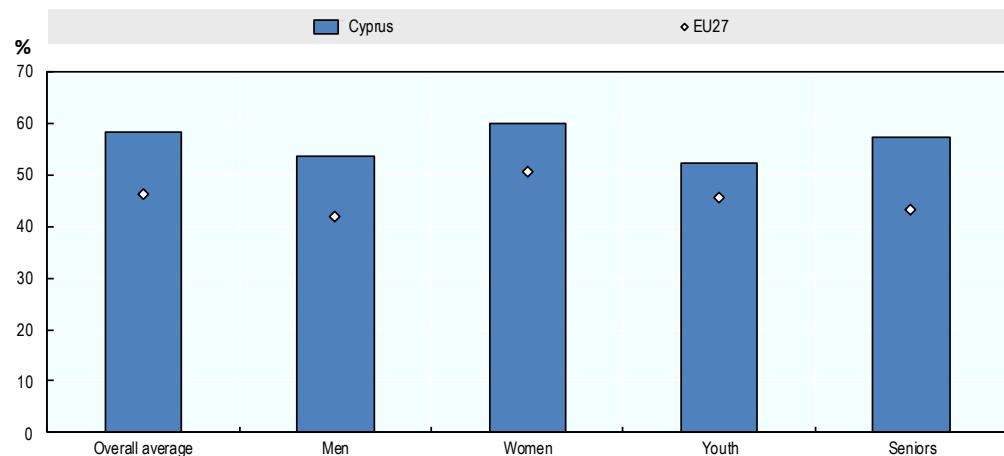
Fear of failure was cited by 58.1% of Cypriots as an obstacle to business creation in 2013-17, significantly above the EU average (46.2%). Cyprus is among the three EU countries where fear of failure was the most prevalent over this period. This holds true for all groups surveyed, with a fear of failure being most likely cited by women (59.9%) and seniors (57.3%). The larger gap with the corresponding EU average was observed for seniors (57.3% vs. 43.2%) (Figure 4a).

Another important barrier to business creation is a lack of entrepreneurship skills. However, this does not appear to be a major obstacle in Cyprus (Figure 4b). Over 2013-17, 50% of Cypriots believed they had the required skills to start a business, well above the EU average (41.9%). Among the targeted

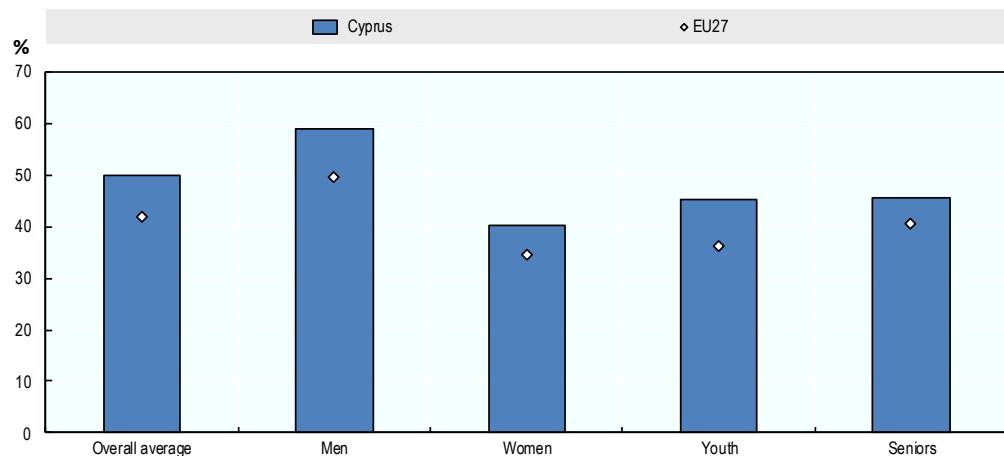
social groups, men (59%) were the most confident about their entrepreneurial skills, and women the least (40.3%).

Figure 4. Barriers to entrepreneurship by target group

a. Proportion who report that a fear of failure prevents them from starting a business, 2013-17



b. Proportion who perceive that they have the skills to start a business, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

2.5. Entrepreneurship performance

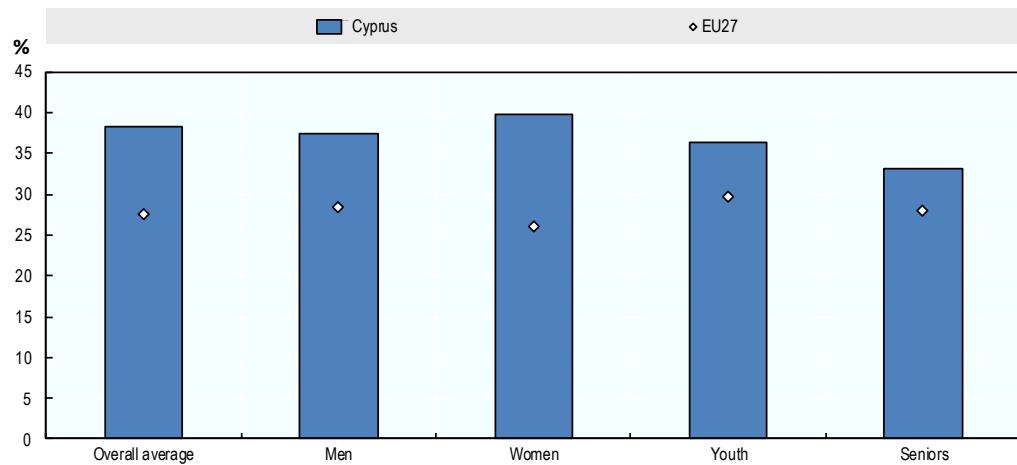
Cypriot entrepreneurs appear to be quite innovative – 38.2% of Cypriot entrepreneurs reported offering new products or services during the 2012-16 period. This proportion was above the EU average (27.6%) and the fourth highest rate in the EU. Among key demographic groups, women were the most likely group to offer new products and services (39.8%), above the national average and much higher than the EU average for women (26.1%). The shares of men (37.5%) and youth (36.4%) that offered new products and services in their business were also above the corresponding EU averages. Senior entrepreneurs engaged less in innovation (33.2%) than other Cypriots, nonetheless, they were also more innovative than their EU counterparts on average (28.0%) (Figure 5a).

Over 2013-17, 58.9% of Cypriot entrepreneurs had customers in other countries, slightly above the EU average (57.4%) (Figure 5b). Men (60.8%) and youth (59.5%) were the most likely to sell to foreign customers while women (54.6%) and seniors (49.8%) were less likely to sell outside of the domestic market. Women were the only group to be (slightly) more likely than the EU average to export (54.6% vs. 53.6%) while other demographics lagged behind their EU peers in terms of international sales. The gap was particularly large for senior entrepreneurs, who were over 6 percentage points less likely to engage with customers outside their country than their EU counterparts. Exporting is particularly important in the Cypriot context given the relatively small size of the domestic market. As such, it may be more difficult for non-exporting businesses to be sustainable.

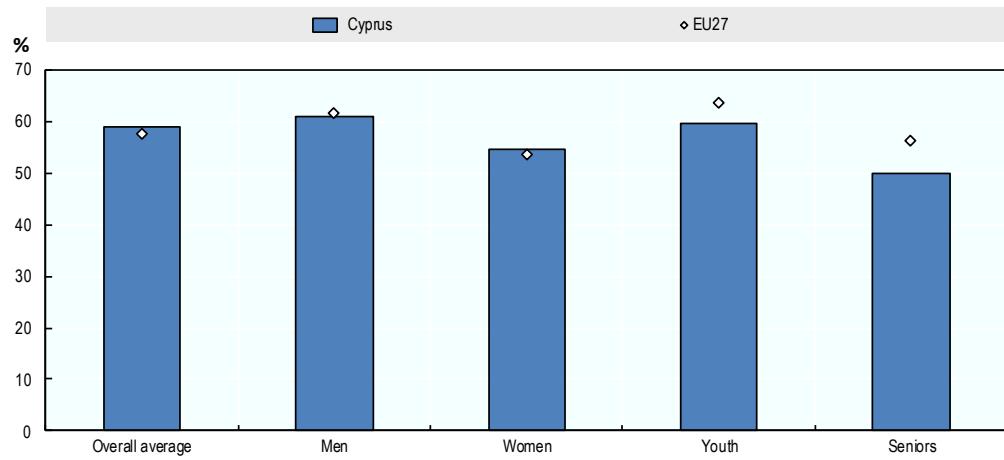
As far as growth expectations are concerned, Cypriots do not deviate considerably from the EU average. 7.4% of Cypriot entrepreneurs expected to create at least 19 new jobs in the upcoming five years over the 2013-17 period, relative to compared to an average of 9.7% across the EU. Youth were the most likely to expect to become job creators (7.7%) but their growth expectations were close to those of men (7.6%) and women (6.9%). By contrast, seniors were less likely to expect to create a significant number of new jobs (5.4%). While growth expectations were substantially under the corresponding EU average for men, seniors and youth (respectively 4.5, 4.3 and 3.2 percentage points lower), Cypriot female entrepreneurs were more confident in their growth potential than their EU peers (5.9%) (Figure 5c).

Figure 5. Self-employment and entrepreneurship activities by target group

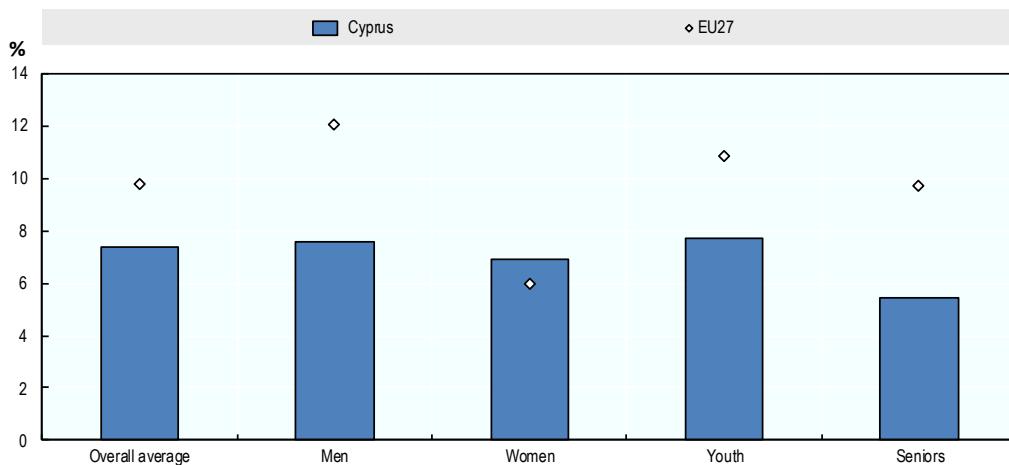
a. Proportion of new entrepreneurs whose products or services are new to all or some customers, 2013-17



b. Proportion who sell to customers in another country, 2013-17



c. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years,
2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

3. ASSESSMENT OF CURRENT AND PLANNED INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES

3.1. Policy framework

The latest developments in the entrepreneurial policy framework in Cyprus include the 2015 National Policy Statement for the Entrepreneurial Ecosystem² and the RESTART 2016-2020 Programmes for Research, Technological Development and Innovation of the Research Promotion Foundation (RPF).

The National Policy Statement for the Entrepreneurial Ecosystem is a government-led strategic document that serves as a blueprint for the development of relevant policies and programmes to strengthen the country's entrepreneurial ecosystem and to grow an entrepreneurial spirit. Explicit references are made to youth and women, aiming to enhance their entrepreneurial skills and to help build an entrepreneurial culture in Cyprus. The implementation of the National Policy is taking place as planned and the impact of the associated policy actions looks promising. The first Annual Progress Report for 2016 indicates that 45% of the actions outlined in the National Policy have already been implemented and 39% have demonstrated progress. Major measures implemented in 2016 include: i) the Review of Income Tax Law to give tax incentives for investing in innovative SMEs and Start-ups, ii) the launch of a "Cyprus Start-up Visa" programme, iii) the introduction of a new scheme for the provision of consultancy, mentoring and training to SMEs, and iv) the participation of the University of Cyprus to the Global Entrepreneurship Monitor (GEM).

The new legal framework for Income Tax Law took effect on January 1, 2017. It provides tax relief to those investing in innovative companies, either directly or through an investment fund; a practical guide "Tax incentives to individuals for investing in innovative enterprises" was also published.

RPF's "RESTART 2016-2020" is a collection funding schemes introduced in the context of the 2015 National Policy programmes. They support a number of priorities, such as the priorities of Cyprus' Smart Specialisation Strategy, global innovation trends, and the needs of research institutions and enterprises in the country. It has a budget of EUR 99 million and includes several entrepreneurship programmes focusing on innovation and competitiveness (e.g. a proof of concept programme, support to collaborative research, innovation vouchers, support to social innovation). There are also some targeted programmes for specific groups, including measures for home-based businesses and measures for youth to support them in research and innovation.

Prior to the National Policy and RPF RESTART Schemes, policy efforts were not underpinned by a comprehensive entrepreneurial strategy. The main programmes related to inclusive entrepreneurship were the co-funded European Grant Schemes on Youth and Female Entrepreneurship.

While the Cypriot government highlights the need for inclusive entrepreneurship actions and RESTART 2016-2020 is expected to support this goal, there is still room to go further as the majority of programmes and measures that are being implemented are generic and do not include provisions

² <https://issuu.com/presidency-reform-cyprus/docs/fc7917ffc2122a/1?e=23693381/36744221>

aiming at reaching out to or meeting the needs of specific groups of potential entrepreneurs. In addition, there is scope to further include non-governmental stakeholders in the policy development process as they hold valuable knowledge on the challenges faced by different groups (e.g. women, people with disabilities) and could inform the delivery process.

3.2. Government regulations

The business regulatory framework is generally conducive to business creation and self-employment. Cyprus ranked 45 out of 190 countries in the 2017 Doing Business World Bank report (World Bank Group, 2017). In terms of social protection, the self-employed are covered by basic social security schemes.

The 2017 National Reform Programme outlines several improvements to boost business creation and to enhance Cyprus' entrepreneurial ecosystem through the development of new regulations and the streamlining of existing regulations. The reforms are expected to be introduced up until 2020, building on the regulatory reforms already implemented in 2016 the context of the National Policy for the Entrepreneurial Ecosystem (see Section 3.1). While many of these actions aim to encourage entrepreneurship and could be expected to disproportionately have a positive impact on entrepreneurs from under-represented and disadvantaged groups since they typically face greater challenges related to administrative requirements, few measures aim to address challenges faced by specific social target groups.

The most significant gap in regulatory incentives and supports for entrepreneurship is the lack of a welfare bridge mechanism to encourage and support the unemployed in business creation. Other areas that could be improved include better access to childcare and maternity benefits for women entrepreneurs, and to make more use of temporary relief from social security contributions as an incentive for business creation for specific groups (e.g. youth).

3.3. Financing entrepreneurship

There are currently few public policy actions that facilitate access to finance for new entrepreneurs from under-represented and disadvantaged groups.

The main support schemes are the Grant Schemes on Youth Entrepreneurship and Female Entrepreneurship, which are co-funded by the Cyprus Government and the European Regional Development Fund. By the end of 2016, 113 women were approved to receive support under the Scheme for the enhancement of Female Entrepreneurship (EUR 3.75 million) and 287 young people under the Scheme for the enhancement of Female Entrepreneurship (EUR 10 million). Despite high interest in these two schemes limited available funds restrict the number of recipients, potentially focusing support on those applicants with the most potential, many of which would have likely launched their own business regardless of whether they received support.

Another important initiative is the Women's Co-operative Bank, which specialises in supporting and enhancing women entrepreneurial activities through the provision of loans of up to EUR 100 000. In addition, some tax measures provide deductions for investments in innovative projects. The recently announced Restart 2016-20 Scheme includes funding schemes dedicated to supporting innovation in start-ups or existing business ("Research in Enterprise" and "Research in Start-ups" programmes; "Innovation Vouchers" programme), including in support of home-based enterprises. No explicit provisions target other disadvantaged groups (e.g. seniors, female, and unemployed).

Private sector financial institutions are currently not very supportive of inclusive entrepreneurship. As a consequence, entrepreneurial financing is one of the key priorities of the 2015 National Policy Statement for the Entrepreneurial Ecosystem (actions to be implemented 2017 onwards). However, the National Policy Statement does not address the lack of microcredit available for entrepreneurs, which may affect entrepreneurs from disadvantaged groups disproportionately.

3.4. Entrepreneurship skills

As part of the current Youth Entrepreneurship Support Scheme and the Female Entrepreneurship Support Scheme, the Ministry of Energy, Commerce, Industry and Tourism offers business counselling and mentoring to entrepreneurs who received a financial grant in order to support them developing their business. Some entrepreneurship training programmes for the unemployed are also offered through the Employment of Long-term Unemployed Scheme and the Employment of Unemployed in Retail Micro-enterprises (1-4 employees) scheme.

Policies and programmes for the development of entrepreneurial skills are currently very limited. Business start-up training programmes are not widely available and existing programmes are generic and do not address the specific barriers faced by different groups. The 2015 National Policy Statement and RPF Restart 2016-2020 express a commitment to building and strengthening entrepreneurial skills in the country. In this context, education reforms were recently introduced entrepreneurship education in school curricula. This has the potential to not only support youth in entrepreneurship but also initiate transformation towards a more entrepreneurial one.

3.5. Entrepreneurial culture and social capital

Public policy actions that aim to build an entrepreneurial culture in Cyprus are at the early stages of their implementation as part of the 2016-2020 National Policy Statement actions and RPF RESTART Scheme.

The Ministry of Education and Culture of Cyprus, with the support of the Pedagogical Institute initiated a series of entrepreneurial training programmes and competitions targeting secondary education teachers and students. While still at the beginning of their implementation, these programmes appear to have a high impact amongst students and educators: there has been an increased interest in running intra-school entrepreneurial competitions, participating in business idea/plan programmes and competitions, submitting bids on the themes of entrepreneurship and innovation, etc. These action help strengthen the entrepreneurial culture within the education system in Cyprus, which is expected to have a role in building an entrepreneurship culture more broadly. RESTART 2016-2020 also aims to cultivate RTDI/research and innovation cultures among the youth and home-based businesses. As the programme has recently started, its impact is yet to be assessed. Entrepreneurship networks are under-developed in Cyprus. While there are some actions to help build social capital among groups of entrepreneurs and researchers in the RESTART 2016-2020 programmes, more could be done to support women, youth, and older people in building entrepreneurship networks.

4. OVERVIEW OF WOMEN'S ENTREPRENEURSHIP

In 2017, Cypriot women were 40% as likely as men to be involved in starting or running a new business, less than in the EU at large, where women were 60% as likely as men to be involved in entrepreneurial endeavours. 8.9% of employed women are self-employed in Cyprus. Self-employed women work predominantly in the service sector (more than 80%, mainly in other services and education sectors). Cypriot women are less likely than men (13.8%) to be self-employed. However, this gap has been decreasing over the past decades, going from over 13 percentage points in 2008 to slightly under 5 p.p. in 2017, mainly due to declining male self-employment rates.

The profile of women entrepreneurs and self-employed workers differ from this of men in some respects. The average education level of self-employed women was higher than that of self-employed men in Cyprus in 2017. 59.4% of self-employed women had completed tertiary education while only 35.5% of men had. The share of tertiary educated workers among self-employed women in Cyprus was also much higher than the EU average (43.2%). Conversely, the share of self-employed workers with secondary or basic education was significantly lower among women than men in Cyprus.

In 2012, the vast majority of women entrepreneurs in Cyprus (84%) were solo entrepreneurs. Most them (62%) worked full-time. On average, they were younger than men entrepreneurs, as was observed across the EU. They also had a higher mean net income than their male counterparts (EUR 20 417 vs. EUR 19 334) and than the EU average for female entrepreneur (European Commission, 2014).

Current policies, programmes and initiatives to support entrepreneurship for women in Cyprus include the following:

- Female entrepreneurship is included to some degrees in major strategic documents, including the 2015 National Policy Statement for the Entrepreneurial Ecosystem and the RESTART 2016-2020 Programmes . The Cyprus National Reform Programme 2017 and the Operational Programmes in the period 2014-2020 co-funded by the Cyprus Government and ERDF also aim at the enhancement of women entrepreneurship in Cyprus.
- The Scheme for the Enhancement of Women's Entrepreneurship, introduced by the Ministry of Energy, Commerce, Industry and Tourism of the Republic of Cyprus, co-financed by the ERDF is a central programme in terms of access to finance for female entrepreneurs. The Women's Co-operative Bank initiative also plays a role. It has recently been integrated into the Cyprus Cooperative Bank.

In terms of training opportunities, a notable initiative is the Women in Business programme in Cyprus, launched in 2018. The programme is funded by the ERDF and the European Bank for Reconstruction and Development (EBRD). It offers access to know-how, advice, non-financial business

development services and networking opportunities to women-led SMEs active in the Republic of Cyprus in order to help female entrepreneurs grow their businesses.³

Two networks play an important role in terms of awareness raising in Cyprus. Following the introduction of the EC European Network of Female Entrepreneurship Ambassadors in 2009 to serve as inspirational role models for potential women entrepreneurs, the Cyprus Network of Female Entrepreneurship Ambassadors⁴ was established in 2011. The project aims to enhance the role of women in the business community in Cyprus and the EU and emphasise the importance of gender equality in entrepreneurial roles, focusing on how gender equality contributes to a more sustainable society in both economic and social terms. The project also attempts to shed light upon sectoral trends and sectoral issues regarding female entrepreneurship on national level. Similarly, the European Network of Mentors for Women Entrepreneurs was created in 2011. The mentors who voluntarily counsel women starting and running new businesses; contact points were established in Cyprus in 2015.⁵

³<http://www.fundingprogrammesportal.gov.cy/en/announcementsactivities/announcements/womeninbusinessprogramscy>

⁴ <http://ec.europa.eu/DocsRoom/documents/17322/attachments/1/translations>

⁵ <http://ec.europa.eu/DocsRoom/documents/10306/attachments/1/translations>

5. POLICY RECOMMENDATIONS

Entrepreneurship policies and inclusive entrepreneurship policies are relatively new in Cyprus. The 2015 National Policy Statement for the Entrepreneurial Ecosystem is an important step in defining future policy actions in this area and the document highlights many important areas where policy actions are planned, notably the introduction of entrepreneurship education in the mandatory school system and measures to improve the business environment. These actions will complement existing supports for youth, women and the unemployed. In addition, the recent introduction of the Restart 2016-2020 Grant Scheme, which aims to fund a series of entrepreneurial initiatives through relevant programmes, is a major step towards the strengthening of the Cypriot entrepreneurial ecosystem. Considering the measures currently in place, the following policy actions are recommended for further strengthening inclusive entrepreneurship policies and programmes in the country:

1. *Make entrepreneurship training programmes more responsive to each targeted social group.* Many of the target groups of inclusive entrepreneurship policy are small (in number) and do not necessarily require fully tailored programmes. However, there are ways to make mainstream offers more responsive to the needs of different groups of entrepreneurs, such as ensuring that facilities and infrastructure are accessible (i.e. for older people, those with disabilities, those in rural areas) and training staff delivering support on the challenges faced by different social target groups. Other methods include collaborating with civil society organisations experienced in working with different groups and undertaking targeted outreach to ensure that potential entrepreneurs in the different groups are aware of available support. It is also important to deliver support through various channels that are appropriate for the different target groups, including through online training platforms, individual support (e.g. mentors) and short-term training sessions (e.g. boot camps). Home-based enterprises can also be targeted. Entrepreneurship programmes should pay particular attention to capacity building and encourage innovation to allow entrepreneurs to improve the quality of their businesses.
2. *Re-introduce microfinance schemes for entrepreneurs from under-represented and disadvantaged groups.* Previous microfinance initiatives demonstrated that private financial institutions have an effective role to play in supporting access to finance for entrepreneurs from under-represented and disadvantaged groups. The government could use resources available from the European Union (i.e. the European Union Programme for Employment and Social Innovation, EaSI) to support financial institutions. It is also important to build complementary supports for those receiving microfinance (e.g. training, mentoring) to increase their chances of success. In addition to social groups such as youth, the unemployed, women, and seniors who tend to face difficulties in accessing start-up funding, smaller business owners in general could be targeted. Smaller entities face difficulties in securing funding from the traditional banking system, and this is a factor leading to their discontinuity. Small business owners could benefit from a relevant microfinancing scheme with good repayment terms.
3. *Update the National Policy Statement for the Entrepreneurial Ecosystem and related action plan during annual consultations to include tailored actions for under-represented and disadvantaged groups.* While tailored support for youth and women is anchored in the statement, people with disabilities, the unemployed, people in rural areas and migrants are not mentioned. Owners of very small enterprises (less than 10 employees) also usually share some

of the obstacles faced by entrepreneurs from disadvantaged groups. The government should consider whether tailored support for these groups is feasible and how mainstream support can be adjusted to the needs of these different groups. It is important to consult civil society organisations in identifying future actions and defining objectives and targets. This includes consultations during the design of policy and in the delivery stages to ensure awareness among the target recipients and efficient delivery.

4. *Use media, and education institutions to promote role models, success stories, and networking.* In line with the European Union's Entrepreneurship 2020 Action Plan and as envisaged in the National Policy Statement for the Entrepreneurial Ecosystem, role models could be used to promote an entrepreneurial culture and inspire more people to become entrepreneurs in Cyprus. Entrepreneurship success stories (from different social groups) could be made more visible and entrepreneurship should be celebrated as a viable career path, especially those from entrepreneurs from different groups. Awareness and promotional campaigns should use a variety of media outlets (including non-mainstream media), schools and universities, as well as non-government organisations. Entrepreneurial success stories from successful micro-enterprises can also be developed to diffuse best practices for competitiveness to home-based small firms. In addition, educational institutions and the private sector (with the support of the government) can help establish virtual networks to bring together actual and potential entrepreneurs to exchange ideas and knowledge, and link with the mainstream business community.

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ANNEX: METHODOLOGY

Each note was prepared by a national expert in co-operation with the OECD Secretariat. Information was collected through desk research and interviews (i.e. telephone, face-to-face, email) with key stakeholders and government representatives. The information was then verified by government partners, programme managers and other inclusive entrepreneurship stakeholder groups through email exchanges and one-day seminars in selected countries.

The notes are based on an assessment framework that was developed by the OECD Secretariat. The assessment framework provided a common analytical framework and report structure for the 28 notes that are in this series.

The framework contains five pillars:

1. Policy framework

- Is there an entrepreneurship strategy or action plan that explicitly covers the promotion and support of entrepreneurship for people in under-represented and disadvantaged groups?
- Is there a mechanism for co-ordinating inclusive entrepreneurship policy actions across relevant national ministries, and with regional and local governments and civil society organisations?
- Is there a systematic monitoring and evaluation process for the policies, programmes and schemes that promote and support entrepreneurship for people in under-represented and disadvantaged groups?

2. Government regulations

- To what extent are entrepreneurs from under-represented and disadvantaged groups treated equally with employees by social security schemes?
- Do measures exist that temporarily cover the loss of state income supports (e.g. unemployment benefits, disability allowances) for entrepreneurs amongst under-represented and disadvantaged groups when they start a business?
- Do measures exist to support under-represented and disadvantaged entrepreneurs in dealing with administrative procedures for entrepreneurship amongst under-represented and disadvantaged groups (e.g. information provision, support with administrative requirements)?
- Are there any entrepreneurship policy initiatives or schemes to address group-specific institutional challenges related to dependents (e.g. childcare, eldercare)?

3. Financing entrepreneurship

- Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?
- Are there loan guarantee schemes for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- Are there self-financing groups for business creation to support entrepreneurs from under-represented and disadvantaged groups?

- Are there public policy schemes that encourage and support business angel networks to support entrepreneurs from under-represented and disadvantaged groups?
- Are there schemes that encourage and support crowdfunding and peer-to-peer lending to support entrepreneurs from under-represented and disadvantaged groups?
- Is financial literacy training offered to support entrepreneurs from under-represented and disadvantaged groups?

4. Entrepreneurship skills

- Are there entrepreneurship training initiatives for entrepreneurs from under-represented and disadvantaged groups?
- Do high potential entrepreneurs from under-represented and disadvantaged groups have access to one-to-one or group coaching and mentoring?
- Are there public initiatives that provide information on available support programmes or on business start-up procedures for entrepreneurs from under-represented and disadvantaged groups?
- Are there business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups?
- Are there business incubators for entrepreneurs from under-represented and disadvantaged groups?

5. Entrepreneurial culture and social capital

- Is entrepreneurship actively promoted as an employment opportunity amongst under-represented and disadvantaged groups through the education system, media, role models, etc.?
- Are there public policy actions that attempt to build specific business networks for entrepreneurs amongst under-represented and disadvantaged groups?

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