Cyprus Entrepreneurship Ecosystem: Best Practices from Israel

Presented by
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Doing Business with Israel Summit
8 November 2012
Nicosia – Cyprus
What is an Ecosystem?
What is an entrepreneurial Ecosystem

- Culture
- Customers and markets
- Ideas: Entrepreneurs and their start-ups
- Funding: angel investors, venture capitalists and private equity firms
- Legal and regulatory framework

- Liaisons
- Media
- Private sector and professional services
- Universities and R&D centers
- Voice of the industry


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Basic Economics of Entrepreneurship

Supply Side
- Friends, Family, Fools
- Angel Funding
- Venture Capital

Demand Side
- Ideas
- Start-ups
- Entrepreneurs

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### Ideas in Entrepreneurship

Where is Cyprus today?

<table>
<thead>
<tr>
<th>Metric</th>
<th>Cyprus</th>
<th>EU27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Patents Applied at EOP (2008)</td>
<td>10</td>
<td>59,468</td>
</tr>
<tr>
<td>Number of High-tech Patents applications at EOP (2008)</td>
<td>1</td>
<td>5,375</td>
</tr>
</tbody>
</table>

Source: Eurostat

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### Funding in Entrepreneurship

Where is Cyprus today?

<table>
<thead>
<tr>
<th>Metric</th>
<th>Cyprus</th>
<th>EU27</th>
<th>Israel</th>
</tr>
</thead>
<tbody>
<tr>
<td>VC per capita in USD</td>
<td>.25 USD</td>
<td>7 USD</td>
<td>142USD</td>
</tr>
<tr>
<td>VC per capita in Euro</td>
<td>.19 Euro</td>
<td>5.27 euro</td>
<td>106.90 Euro</td>
</tr>
</tbody>
</table>

Source: Microsoft Europe Chairman Jan Müehlfeit– TechEurope Conference June 2011
March 2012

Inspired by
the
Start-Up
Nation

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“The good news, for Cyprus and hopefully perhaps eventually for other places in Europe as well, is that education and talent finds a way. Maybe not quickly. Maybe not without frustration, but slowly the damming of talent does pressure impediments until cracks appear and new ideas slip through.

For those that want change, optimism is available, though in small doses.”

Jessica Stillman

Inc.com

July – Sept 2012
First ever
Cyprus
Entrepreneurship
Ecosystem Study

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Best practices from Israel

Country Commitment

VC funding

Accelerators

Tax Regulator

Private Public Partnerships
Best practices from Israel

- Country Commitment- Office of the Chief Scientist
- Tax Regulator – Angel’s Law
- Public and Private Partnership- Yozma
- VC Funding -
- Accelerators- 15 Tech Accelerators
- Entrepreneurs and Start Ups – Chutzpah
“Forget the old industries. There are going to be five new industries. Tremendous -- new forms of energy, water, biotechnology, teaching devices and homeland security”

President Shimon Peres  in “Start Up Nation”
Office of the Chief Scientist

**Primary Task**

- To translate resources into global competitive advantages through the implementation of R&D funding mechanisms in all sectors, to promote the participation of Israeli companies in international R&D collaborations
- Financing in early stage R&D projects
- TNUFA
- Technological Incubators Program- highly reformed

Source: IVC Research Center Yearbook 2012
Best Practice adaptation for Cyprus

The President must be fully committed and supportive of the ecosystem and its growth

Meritocratically appoint or hire a team of 1-3 young and dynamic advisors to the President – if not create a similar post of the OCS with global and local expertise in private sector, government, and non governmental organizations, able to connect the dots. to draft the country’s roadmap for Economic Growth via Entrepreneurship, to foster Private Public Partnership, to seek VC funding locally and globally. Able to articulate the country’s strategy in ways that resonate with VCs, analysts, Entrepreneurs, policy makers, NGOs and media and draw experts from across disciplines and across the globe.
Tax Regulation: Starting with the Angel Law

Angel Law – Revolutionary and Unique

- Encourages Individuals to invest by shares in Israeli resident R&D and innovation start-ups defined as ‘Target Companies’ between Jan 1, 2011 and Dec. 31, 2015

- Deducts investment amount from overall taxable income from all sources

- Amount of deduction is capped just below 1 million EUR

- May be split over the “Benefit period” i.e. the year the investment was made and two subsequent tax years

- Investor must hold shares in the Target Company for the duration of the Benefit Period.

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Cyprus may adapt such a law as it abides with the EU law framework. A tax break will be balanced out from increased economic growth and new jobs as it will

- Encourage Angel investors to invest in start-ups registered in Cyprus
- Increase liquidity in the market
- Foster innovation and new ideas generation by start-ups
- Increase number of companies registered in Cyprus
- Increase patent applications originating from Cyprus
- Generate new business for professional services sector
Private Public Partnership: Yozma

- Requirement for foreign partners.

  Each of 10 funds required *one foreign and one Israeli partner* in the private sector for expertise, networks, knowledge transfer and experience to Israeli investors.

- Jumpstarted the Israeli VC capital market with a USD 100 million investment

- USD 80 million was used to set up 10 private sector venture funds and the remaining USD 20 million was earmarked for direct investments in high-tech enterprises.

- Strong upside incentive.

  40% of the funds’ capital was public funds - after a 5 yrs. the funds could buy out the government’s options for the price of the invested capital plus interest.

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Best Practice adaptation for Cyprus

Create a Private Public Partnership fund with similar 5 year clause to buy out the government share. Source/direct EU funds, State, Municipality, Universities, and Private Sector funds to jump start the Cyprus Venture Capital Market.

100 million Euro, 10 funds 10 million each for 5 years

Cyprus ranks 10th in VC deals with expertise of booking 126 trillion PPP$ - per Global Innovation Index 2012. We need to leverage the expertise, encourage a pipeline of start-ups and divert some of the VC funds to invest in start-ups in Cyprus.
## Venture Capital: the numbers talk

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Israel/Europe</td>
<td>22%</td>
<td>24%</td>
<td>31%</td>
<td>24%</td>
<td>24%</td>
<td>21%</td>
<td>28%</td>
<td>22%</td>
<td>20%</td>
<td>36%</td>
</tr>
<tr>
<td>Israel/US</td>
<td>5.2%</td>
<td>5.3%</td>
<td>6.8%</td>
<td>5.9%</td>
<td>6.1%</td>
<td>6%</td>
<td>7.5%</td>
<td>6.1%</td>
<td>5.9%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Israel/China</td>
<td>275%</td>
<td>40%</td>
<td>187%</td>
<td>119%</td>
<td>61%</td>
<td>47%</td>
<td>43%</td>
<td>40%</td>
<td>24%</td>
<td>37%</td>
</tr>
<tr>
<td>Israel/India</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>433%</td>
<td>266%</td>
<td>200%</td>
<td>124%</td>
<td>137%</td>
<td>130%</td>
<td>147%</td>
</tr>
</tbody>
</table>

Capital raised in Israel relative to capital raised in Europe, the US, China and India

Source: IVC yearbook 2012

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Accelerators: platforms for growth

From 2009-2011

15 Technology Accelerators operate in Israel with capital from 10K USD to 400K USD depending on the program.

All private sector or University initiatives such as StarTau, Microsoft Windows Azure Accelerator, Google Israel Entrepreneurship Center, DreamIT Israel, The Hive, the Elevator, VentureGeeks etc.

IVC year book 2012

2012 – Cyprus has its first private initiative Accelerator – Chrysalis LEAP
(Launching Entrepreneurship Acceleration Platform)
Entrepreneurs: *Chutzpah*

“gall, brazen nerve, effrontery, incredible ‘guts’, presumption plus arrogance such as no other word and no other language can do justice to”

Leo Ronsten
“reaching your dreams is neither easy nor fast.

…It takes hard work, time, failure, focus, brains, guts, public speaking skills, risk, technology and heart to succeed”

Marina Theodotou
Being Inspired by the Start Up Nation!
Thank you!

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