THE CYPRUS ICT MARKET

Market Size, Structure, Performance, Competitiveness,

Trends and Outlook 2025–2027

An independent sector study prepared by IMR



November 2026

Incorporating the Cyprus ICT Vendor and End-User Surveys and senior stakeholder interviews

Built on official statistics from CYSTAT, the Central Bank of Cyprus, Eurostat and the European Commission, with original market sizing and competitiveness analysis. Methodology published in full.

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How to read this report

This report measures two different things, and keeps them apart throughout. Most existing analysis of the Cyprus technology sector does not, which is the single largest source of confusion in the public debate.

The supply side is the Cyprus ICT industry: what it produces, what it employs, what it exports. This is the number that appears in most headlines, and on this measure Cyprus is one of the strongest performers in the European Union.

The demand side is the Cyprus ICT market: what organisations in Cyprus actually spend on technology. No official body publishes this figure. We have modelled it from the ground up, and it is roughly two-fifths the size of the sector's output.

Confusing the two produces predictable errors. A vendor sizing a Cyprus opportunity from the sector's growth rate will overstate it by a factor of three. A policymaker who treats “growing ICT” and “digitising the economy” as one objective will fund the wrong instruments. An investor who reads headline foreign investment figures without adjustment will overstate the sector's real capital base fivefold.

The primary research is the third element, and it is the core of this study. The Cyprus Computer Society commissioned this report to produce original market research on the Cyprus ICT market. That research comprises a survey of organisations that buy ICT in Cyprus, a parallel survey of the ICT providers that serve them, and an in-depth interview programme with senior figures from government, regulation and industry. Official statistics show how large the sector is. Only the primary research can show what buyers intend to spend on, what they think of their suppliers, where providers are constrained and how policymakers read the market. All of its results are brought together in the chapter **Primary Research Findings**, immediately after this summary, and are then used throughout the report wherever they test or explain the official data.

Data conventions

Every significant figure in this report carries a source, a reference year and a status label:

- **Actual**: published official statistics.
- **Estimate**: published by a credible body but derived, provisional or survey-based.
- **Forecast**: a projection, ours or another party's, clearly attributed.
- **Contested**: credible sources disagree, or a widely-repeated figure does not reconcile. We say so rather than choosing silently.
- **Primary research**: results from this study's own surveys and interviews. These always carry one of three attributions: *IMR/University of Nicosia, Cyprus ICT End-User Survey 2026*; *IMR/University of Nicosia, Cyprus ICT Vendor Survey 2026*; or the named interviewee. Any figure without one of these attributions comes from a secondary source.

Where we have modelled a number ourselves, it is labelled as model-generated, the methodology is published in the appendix, and the working model is supplied as a separate spreadsheet so that any reader can change an assumption and see the answer move. We have not presented a model output as an official statistic anywhere in this document.

A note on what is missing

This report identifies statistics that ought to exist for a sector representing 12.5% of national gross value added, and do not. We have not concealed these gaps or filled them with inference. Identifying them may prove to be among this report's more useful contributions.

Executive Summary

Cyprus has built one of the European Union's largest information and communications technology sectors relative to the size of its economy, and has done so in under a decade. It has simultaneously failed to digitise its own domestic enterprise base beyond a basic level. These two facts are not in tension by accident. They are the defining structural feature of the Cyprus technology economy, and this report is organised around explaining them.

> *"Because for me the technology part is not isolated. It fits within the ecosystem we are building."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

A second question runs underneath the first, and it determines whether any of this matters economically. Technology investment is worth making only insofar as it converts into productivity, and productivity into revenue, growth and wages. Measured against that test rather than against adoption rates alone, Cyprus's position is harder to assess and more urgent than the headline figures suggest, because the conversion is currently unobserved. Not one organisation surveyed for this report uses adoption or usage rates as a measure of its technology investments.

> *"When you bring technology and translate it into productivity in a country, productivity creates more revenue. More revenue creates economic growth."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

Twenty-two findings

1. Cyprus is a top-tier EU ICT economy on output, and the growth is real. ICT gross value added reached approximately €4.1bn in 2025, or 12.5% of total gross value added, against an EU average near 5.6%. The sector grew 435% between 2016 and 2025 against an EU average of 86%, the fastest in the Union. In 2020, when the Cypriot economy contracted by about 3%, the ICT sector grew by roughly 21%. This is not a cyclical story; it is counter-cyclical.

2. The domestic market is a fraction of the sector's output. Our bottom-up model puts total addressable ICT expenditure by Cyprus organisations at €1.33–2.15bn in 2025, central estimate €1.70bn. After import leakage to hyperscalers and foreign vendors, perhaps €800–950m reaches Cypriot ICT firms. Four-fifths of the Cyprus ICT sector does not sell to Cyprus.

3. Eighty per cent of Cyprus's headline inward foreign investment is special purpose entities. The Central Bank of Cyprus reports inward FDI stock of €373.62bn for 2024 on the headline basis and €74.98bn once special purpose entities are excluded, 10.7 times GDP versus 2.16 times. Applied to the widely-cited figure that ICT represents 17% of inward FDI stock, only the adjusted basis is interpretable, implying an ICT FDI stock of roughly €12–13bn rather than €63bn.

4. Cyprus produces more value than it retains. Net FDI income in 2024 was minus €3.43bn, equivalent to 9.9% of GDP, worsening from minus €2.62bn in 2023. Income paid to foreign investors exceeds income earned abroad by close to a tenth of national output. No published source splits this by sector, so the ICT-specific retention rate is currently unmeasurable.

5. Enterprise AI adoption is among the lowest in the Union, and the constraint is execution, not appetite. 9.27% of Cypriot enterprises used AI technologies in 2025 against an EU average of 19.95%, with only Greece, Bulgaria, Poland and Romania ranking lower. Primary research shows why: 83% of Cypriot organisations report being likely to invest in AI during 2026, the highest

intent of any technology, while 51% lack AI skills and 50% are neither using nor planning to use external AI providers. Interest is abundant; delivery capacity is absent.

6. Cypriot SMEs are above the EU average on basic digitalisation. 74.35% have reached at least basic digital intensity against an EU average of 71.39%. The constraint is not digitisation; it is the step from basic tooling to advanced technology. Cypriot SMEs cleared the basic bar ahead of Europe and then stopped.

7. Connectivity is no longer the constraint. 5G population coverage was fully achieved in 2024, gigabit coverage is extensive including rural areas, fibre-to-the-premises coverage grew at nearly four times the EU rate, and the BlueMed and East Med Corridor submarine cables have landed or are entering service. Cyprus's binding digital constraint has moved decisively to adoption, skills and organisational capability. The demand side confirms it: no surveyed organisation expects broadband, 5G or network rollout to affect ICT spending, while 44% expect energy costs to.

8. Research intensity is third-lowest in the EU, and public research funding just fell. Gross domestic expenditure on R&D was 0.65% of GDP in 2024 against an EU average of 2.24%. Government R&D budget allocations fell 25.6% in 2025, from €150.6m to €112.0m, in the same year the technology sector reached one-sixth of GDP.

9. Cyprus attracts intellectual property ownership more successfully than it generates it. The IP Box regime delivers an effective rate near 3% on qualifying IP income and survived the 2026 tax reform intact. Yet PCT patent applications run at 54.6% of the EU average and design applications at 36.0%, while the composite intellectual assets score sits at the EU average. Cyprus registers IP roughly normally and creates comparatively little.

10. The labour market is the tightest in twenty years, and the acute shortages are not in technology. The job vacancy rate stood at 2.8% in Q1 2026 against a twenty-year average of 1.91%, but the highest rates were in arts and recreation (5.1%), construction (4.7%) and hospitality (4.0%). Information and communication appears in neither the highest vacancy rates nor the largest vacancy counts.

11. Cyprus solved its technology headcount problem by importing it. Of 48,200 people employed in the broad technology sector in 2025, 12,400 are third-country nationals, 25.7%. Cyprus already has the most foreign-dependent labour force in the Union. What remains scarce is senior and specialist talent, and it is priced rather than absent.

12. The talent risk is housing and energy, not employers. Housing costs have risen faster than wages in the cities where technology firms concentrate, and Cyprus recorded the second-highest non-household electricity prices in the EU in the second half of 2025. Retention is determined by the wage net of rent and utilities, and both are moving against Cyprus.

13. Cybersecurity regulation converts to spending in 2026, and domestic firms can win it. NIS2 compliance bites in October 2026 at a threshold of 50 employees or €10m turnover, with board-level accountability and penalties up to €10m or 2% of global turnover. DORA enters its first genuine supervisory enforcement cycle. Commissioner of Communications Marios Pieris quantifies the population this catches for the first time: approximately 60 regulated entities become approximately 520, a near nine-fold expansion, and Cyprus applies a six-hour initial notification deadline rather than the Directive's 24, a requirement no SME can meet without outsourced detection and response. We size the resulting Cyprus security market at €90–130m and growing faster than any other segment, and unlike cloud or AI, it is structurally local. Demand-side evidence confirms the shift is under way: 58% of Cypriot organisations now rank regulatory compliance among their main internal challenges, and 71% name cybersecurity as the capability they most need to strengthen, the highest score recorded for any capability.

> *"Based on market research, Cyprus needs around 1,900 people to cover its cybersecurity needs."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026 (translated from Greek)

14. The AI policy instrument is not scaled to the gap. Pharos-CY, the EuroHPC-anchored AI Factory Antenna, is well designed and correctly targeted at SMEs. Its state aid clearance in July 2026 covers €6m, 0.15% of annual ICT gross value added. The funding plan for sovereign AI infrastructure is deferred to 2028. Singapore committed roughly seventeen times more (S$150m, about €100m) for a comparable enterprise-compute function.

15. Two policy cliffs converge on the end of 2026. Half of the 62 measures in Cyprus's Digital Decade national roadmap expire by 31 December 2026, representing €117m of public funding, while the Recovery and Resilience Facility enters its final delivery phase with the fifth payment only partially disbursed. No successor programme is in public view.

16. Both sides of the market describe the same constraint, and it is capacity rather than capability. Cypriot organisations fault their ICT providers for slow response times (63%) and delivery delays (52%), but only 15% cite any lack of expertise. Vendors describe the same condition from within. Delivery throughput, not technical competence, is what currently rate-limits the domestic ICT market.

17. The obstacle to digital transformation is organisational before it is technical. Asked what most seriously obstructs transformation, 57% of Cypriot organisations named overreliance on traditional culture and work practices, against 31% citing internal expertise shortages and 11% citing their partners' expertise. Cyprus's adoption problem is not solely a skills problem, and interventions confined to training address the smaller of the two barriers.

18. The talent constraint is specialist, and the pipeline is very small. Official statistics place ICT graduates at 2.8% of all graduates against an EU average of 4.2%; demand-side research identifies AI as the largest single skills gap at 51%; and Chief Scientist Skourides estimates Cypriot universities produce approximately 120 graduates a year across data science, data analytics and artificial intelligence combined. Whatever the precise figure, the specialist pipeline is small relative to the demand this report documents.

19. Cyprus no longer competes for technology talent only against itself. Remote working has severed the link between where a specialist lives and who employs them, so Cypriot firms now compete against international salaries and employers while carrying a domestic cost base. Vendors rank salary expectations above availability as their leading skills obstacle, exactly what one would expect where the reservation wage is set abroad.

20. Artificial intelligence is simultaneously the largest opportunity and the largest emerging risk. The same technology cycle driving the market's growth is changing the threat environment it must defend against. Skourides warns of synthetic identity, synthetic fraud and synthetic media, against which conventional antivirus and perimeter defences are not designed. Cyprus's cybersecurity spending is rising for compliance reasons; whether its cyber maturity is evolving as fast as the threat is a separate and unanswered question.

21. Cyprus is not behind on digital: it is shallow on digital, which is a harder problem. Senior stakeholders independently argue that the perception of Cypriot digital backwardness is outdated, and the indicators agree with them on breadth and contradict them on depth. Cyprus is fifth to sixth of thirty-six assessed countries on Open Data Maturity, in the highest group of the World Bank's GovTech Maturity Index across 197 economies, first in the EU on 5G coverage and eleventh of twenty-seven on basic enterprise digital intensity. On very high digital intensity it is twentieth of twenty-seven, on enterprise AI adoption fifth from bottom, and on research intensity third lowest in the Union. Where a measure captures whether a capability exists, Cyprus performs at or above the

European average; where it captures how deeply that capability is used, Cyprus falls to the bottom quartile. The platform is built and is not being used, and there is nothing further to procure.

22. The relocated companies are doing real work, and the headline investment figures still do not measure it. Deputy Minister Nicodemos Damianou rejects the interpretation that Cyprus's technology sector is corporate registration rather than economic activity, and on employment, gross value added, export composition and procurement behaviour this report accepts that. It does not disturb the foreign investment finding, because the two describe different things: the companies produce, and the capital position is dominated by entities that do not. Both are true simultaneously, and the widely repeated claim that Cyprus ranks near the top of Europe for foreign investment per capita is a measure of conduit intensity rather than of investment, and should be retired.

> **Cyprus has optimised comprehensively for attracting technology activity and barely at all for rooting it. Every leading indicator is a reason to come; most lagging indicators are reasons it would be easy to leave.**

EVIDENCE BASE **The findings above rest on the convergence of five independent evidence streams: official statistics from CYSTAT, the Central Bank of Cyprus and Eurostat; desk research across EU and international sources; an IMR demand-side survey of Cypriot organisations; an IMR supply-side survey of ICT providers; and qualitative interviews with senior stakeholders. Where these converge, as they do on connectivity, on the specialist and priced nature of the talent constraint, and on compliance-driven security demand, the conclusions are correspondingly strong. Where they diverge, the divergence is reported rather than resolved. Stakeholder estimates are attributed as such and are never presented as official statistics.**

The scale of what is at stake

Senior stakeholder evidence frames the opportunity in terms this report can test. Reaching 20% of GDP from technology within a decade, an ambition articulated in the qualitative research and presented here as an assessment of potential rather than a forecast, would require sustained nominal sector growth of roughly 9 to 10% a year. That is above this report's base case of 8.3% and well below its upside case of 12.0%. The ambition is not arithmetically implausible: it requires a decade without the deceleration the downside case describes.

OUTLOOK **Cyprus does not need a step change in growth to transform its economic position through technology. It needs a decade of sustained execution against four constraints (specialist talent, scale-up capital, energy cost and delivery capacity), none of which is a shortage of demand.**

The Cyprus ICT Market at a Glance

Supply side: the Cyprus ICT industry

Indicator	Value	Year	Status
ICT gross value added	€4.1bn	2025	Estimate
ICT share of total gross value added	12.5%	2025	Estimate
EU average ICT share of GVA	5.6%	2025	Estimate
ICT GDP contribution, current prices	€3.59bn	2024	Actual
ICT growth, current prices	+17.5%	2024	Actual
ICT growth, real terms	+11.3%	2024	Actual
ICT GVA growth 2016–2025	+435% (EU +86%)	2025	Estimate
ICT share of business economy value added	15.2%	2022	Actual
Broad technology sector, direct GDP contribution	€5.9bn (16.2%)	2025	Estimate
ICT sector employment (NACE J)	28,440	2024	Actual
Broad technology sector employment	48,200	2025	Estimate
of which third-country nationals	12,400 (25.7%)	2025	Estimate
ICT service exports	€8.4bn equivalent	2024	Actual: see Ch. 3
ICT share of SPE-adjusted inward FDI stock	≈17% (≈€12–13bn)	2025	Our analysis

Sources: CYSTAT national accounts and services survey; KPMG Cyprus 2026; Eurostat; World Bank WDI; Central Bank of Cyprus.

Demand side: the Cyprus ICT market

Indicator	Low	Central	High
Addressable ICT expenditure 2025	€1.33bn	€1.70bn	€2.15bn
As % of GDP	3.67%	4.69%	5.91%
Ratio to ICT sector GVA	0.32x	0.41x	0.52x
Estimated share reaching Cypriot firms	n/a	€0.8–0.95bn	n/a
Forecast 2030 (base case)	n/a	€2.23bn	n/a
Implied CAGR 2025–2030 (base)	n/a	5.6%	n/a

Source: our model. Model-generated estimate, not an official statistic. Full methodology in Appendix B; live workbook supplied separately.

Digital economy indicators

Indicator	Cyprus	EU average	Assessment
Enterprises using AI	9.27% (2025)	19.95%	Lagging
SMEs at basic digital intensity	74.35% (2026)	71.39%	Above average
Population with basic digital skills	49.5% (2024)	55.6%	Below average
ICT specialists, % of employment	5.0% (2024)	5.0%	Average
Women as % of ICT specialists	23.7% (2024)	19.5%	Above average
ICT graduates, % of all graduates	2.8%	4.2%	Lagging
5G population coverage	100% (2024)	Incomplete	Leading
FTTP coverage	77.1% (2023)	64.0%	Above average
Edge nodes	14 (2025)	n/a	Above average
R&D intensity (GERD)	0.65% (2024)	2.24%	Lagging
Government R&D budget	€112.0m (2025), −25.6% YoY	n/a	Lagging
Global Innovation Index rank	25th (2025)	n/a	Above average

Indicator	Cyprus	EU average	Assessment
Unicorns	4 (2025)	n/a	Above average
Startup ecosystem growth	Fastest in EU, 3 yrs running	n/a	Leading

Sources: Eurostat (isoc_eb_ai, R&D expenditure); European Commission Digital Decade Country Reports 2024–2026; WIPO Global Innovation Index 2025; StartupBlink 2026.

Market signals from primary research

Indicator	Evidence	Signal
End-user ICT spending intent	56% expect increase, 28% no change, 8% decrease; net +48pp	Stable growth
Vendor revenue expectation	All expect growth; most expect 10%+	Strong: directional only
Cybersecurity priority	71% top capability to strengthen; 44% very likely to invest	Significant opportunity
Regulatory compliance	58% rank it a top-three internal challenge	Structural demand
AI	83% intent; 51% skills gap; 50% no external route	Emerging: execution at risk
Cloud	88% adoption; 53% cite cost as leading reservation	Mature: opportunity shifting to optimisation
Delivery capacity	63% cite slow response; most vendors overburdened	Binding constraint
Connectivity	No organisation expects it to affect ICT spending	Resolved as a market factor
Energy cost	44% name it the second-ranked spending driver	High risk: rising input cost

Source: IMR/University of Nicosia, Cyprus ICT Vendor and End-User Surveys, 2026. Vendor findings are directional.

Twenty Signature Findings

Each finding below is stated in the form in which it can be quoted, followed by its evidential standing. Findings marked Established rest on published official statistics. Findings marked Our analysis are interpretations we defend but which readers may reasonably contest.

Finding	Standing
Cyprus's headline foreign investment position overstates its real one by a factor of five. Eighty per cent of inward FDI stock is special purpose entities.	Established
ICT gross value added of €4.1bn is what Cyprus produces. It is not what Cyprus keeps: net FDI income was minus €3.43bn, nearly 10% of GDP.	Established
The Cyprus ICT sector produces €4.1bn of value added. Its domestic market is worth about €1.7bn, of which perhaps half reaches Cypriot firms. Four-fifths of the sector does not sell to Cyprus.	Our model
Cypriot SMEs cleared the basic digital bar ahead of Europe, then stopped. 74% at basic intensity; 9% using AI.	Established
Cyprus has built a top-tier EU technology sector on top of a bottom-five technology-adopting economy.	Established
No other EU country combines a top-tier ICT output share with bottom-tier enterprise AI adoption. Cyprus's anomaly is structural and unique.	Established
Cyprus's digital constraint is no longer connectivity. It is absorption.	Established
Cyprus has optimised comprehensively for attracting technology activity and barely at all for rooting it.	Our analysis
Cyprus's labour market is the tightest in twenty years, and the shortages are in construction and hospitality, not technology.	Established
Cyprus solved its technology headcount problem by importing it. One in four tech workers is a third-country national.	Established
The Cyprus technology talent proposition is being eroded by the housing and energy markets, not by employers. This is a housing policy problem presenting as a skills problem.	Our analysis
Cyprus attracts intellectual property ownership more successfully than it generates intellectual property.	Established
Cyprus has startup funding and lacks scale-up capital. The consequence is not that companies fail; it is that they succeed elsewhere.	Established
Cyprus is deploying a €6 million instrument against a ten-percentage-point AI adoption gap, and has deferred the funding plan for sovereign AI infrastructure to 2028.	Established
NIS2, DORA and the CRA convert cybersecurity from discretionary spend into compliance-driven operating expenditure with board liability, and unlike cloud or AI, this is a market domestic Cypriot firms can win.	Our analysis
Cyprus can credibly be a cable, transit and cable-security hub. It cannot credibly be a compute hub while running the EU's second-most-expensive electricity.	Our analysis
Subsea cable security is Cyprus's most under-exploited strategic technology position, and the European Commission has said so.	Established
Six consecutive years of net FDI outflows conceal roughly €33bn of non-Russian inflows. The headline series describes an unwinding, not a retreat.	Requires verification
Half of Cyprus's Digital Decade measures expire within months, the angel investor incentive lapses at the same time, and the RRF is in its final phase. No successor is in public view.	Established
Sizing a Cyprus market opportunity from ICT sector growth overstates it by a factor of three. The sector grows at 15%; its domestic market grows with GDP.	Our analysis

Primary Research Findings

This chapter brings together, in one place, the results of the original research carried out for this study. It answers three questions that published sources cannot: what Cypriot organisations intend to buy and why; how the ICT providers that serve them see their own market; and how the senior figures who shape the sector's policy and regulation read its position.

The chapter is deliberately self-contained. A reader who wants the market research alone can read this chapter and section B.6 of Appendix B and will have the complete primary evidence base. A reader of the later chapters will find the same results used there to test, explain or challenge the official statistics, and Table P.6 at the end of this chapter shows which of the report's conclusions rest on which evidence.

> HOW TO TELL PRIMARY FROM SECONDARY EVIDENCE **Every result in this chapter is original to this study. Elsewhere in the report, primary results are always labelled with their source: the End-User Survey, the Vendor Survey, or the named interviewee. Official statistics and published research carry their own source lines. Where the two are combined, the text says so.**

P.1 The research programme

The primary research was designed and conducted by IMR/University of Nicosia for the Cyprus Computer Society, which sponsored the study. It has three components. Each was designed to answer a different question, and each was analysed on its own before being combined with the secondary evidence.

Table P.1: The three components of the primary research

Component	Who took part	What it was designed to establish	Where results are used
Cyprus ICT End-User Survey 2026	Organisations in Cyprus that buy and use ICT products and services, across financial and professional services, the public sector, trade, industry and other sectors	Spending intentions; reliance on external providers; supplier selection and satisfaction; investment intent in AI, cloud and cybersecurity; skills gaps; obstacles to digital transformation; factors expected to drive ICT spending	Chapters 3, 4, 7, 9, 11, 13, 19, 22
Cyprus ICT Vendor Survey 2026	ICT providers operating in Cyprus: software, IT services, systems integration and related firms	Revenue outlook and customer mix by sector; solutions delivered by technology; investment focus; talent needs and constraints; capability building; funding of client projects; factors expected to drive ICT spending	Chapters 4, 7, 10, 11, 13, 14, 15, 19, 22
Senior stakeholder interview programme	Senior figures in government, research policy, regulation and the ICT industry (Table P.5)	How policy and supervision read the sector; evidence not published elsewhere (regulated population, workforce requirement, recruitment and training volumes); industry's own view of capability, demand and constraints	Chapters 1, 4, 7, 8, 9, 10, 11, 13, 14, 17, 22

Source: IMR/University of Nicosia. Instrument design, fieldwork and analysis conventions are set out in section B.6 of Appendix B.

The two surveys used structured questionnaires with parallel modules, so that buyers and suppliers could be compared on the same questions, most notably the factors expected to affect ICT spending and investment priorities by technology. The interviews were semi-structured, conducted individually, and are quoted with attribution.

P.2 What buyers told us: the End-User Survey

The End-User Survey is the first direct measure of the Cyprus ICT market from the buyer's side. Its principal results are summarised in Table P.2, with the section in which each is examined in detail.

Table P.2: End-User Survey, principal results

Theme	Result	Section
Spending outlook	56% expect spending on external ICT services to increase in 2026, 28% expect no change and 8% expect a decrease, a net balance of +48 points	3.8, 22.8
Reliance on external providers	64% use external ICT providers at least monthly; only 7% never do. Software development or customisation (54%) and cybersecurity (50%) are the services most often bought in	3.8
Local and international suppliers	64% use both local and international providers depending on the service and 33% actively prefer local providers; 97% use local providers at least some of the time	3.8, 7.10
How suppliers are chosen	Reliability and service consistency (78%), price (67%) and quality (56%) lead; local presence is named by 15%; long-term partnership potential receives no selections	7.10
Dissatisfaction with providers	Slow response times (63%) and delivery delays (52%) lead; lack of expertise is cited by only 15%	7.9
Artificial intelligence	83% are likely to invest in AI in 2026, 28% very likely; 51% report an AI skills gap; 50% neither use nor plan to use external providers for AI	11.1
Cybersecurity	71% name it the capability most important to strengthen; 44% are very likely to invest in 2026, the highest firm commitment of any technology; 43% report a cybersecurity skills gap	11.3, 13.2
Cloud	88% use cloud services; cost and the risk of overspending (53%) is the leading reservation, ahead of governance and compliance (41%); the cloud skills gap is only 20%	11.2
Internal challenges for 2026	Keeping pace with technology (67%), reducing costs (61%) and legal and regulatory compliance (58%)	11.3
Obstacles to transformation	Overreliance on traditional culture and work practices (57%), well ahead of internal expertise shortages (31%) and partner expertise shortages (11%)	11.5
How ICT investment is judged	Productivity (44%), cost savings (41%) and user satisfaction (41%); return on investment is used by 26% and adoption or usage rates by none	11.5
What will drive ICT spending	Rising cyber attacks (56%) and energy costs (44%)	19.3

Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026.

WHAT THE END-USER SURVEY ESTABLISHES **Demand for ICT services in Cyprus is growing, is open to local providers, and is concentrated in software and cybersecurity. Buyers intend to invest in AI but lack the skills and the delivery route to do so. Their complaint about suppliers is speed, not competence, and their main barrier to transformation is organisational culture, not technology.**

P.3 What suppliers told us: the Vendor Survey

The Vendor Survey records the market from the provider's side. It was designed to be read alongside the End-User Survey rather than as a census of the ICT industry, so its results are reported as the balance of provider responses rather than as national shares.

Table P.3: Vendor Survey, principal results

Theme	Result	Section
Revenue outlook	Providers expect ICT revenue to grow in 2026, most of them by 10% or more	22.8
Customer base	Banking and finance is the largest source of revenue (a mean 42.5% among providers reporting it), followed by professional services (30.5%) and government (22.5%); tourism, construction and healthcare each contribute under 4%	4.4, 10.3
Delivery experience	AI is a leading investment focus, but few providers have yet delivered AI or cybersecurity solutions to clients	11.1, 11.3
Talent	Salary and benefit expectations are the leading obstacle to maintaining skills, ahead of the availability of qualified professionals; AI is the leading talent need	13.2
Consequences of the skills constraint	Most providers report overburdened employees and reduced innovation or competitiveness; few report higher costs from outsourcing or hiring	7.9, 13.2
Capability building	Automation and internal training are the main responses; collaboration with universities or training providers is uncommon	7.11, 13.2
Startups	A large majority consider startups important to the sector's future	7.11
Funding of client projects	Private-sector funding accounts for a mean 75% of the funding for client ICT projects and government funding for 21%	14.5, 15.3
What will drive ICT spending	Supply chain disruption and ICT skills shortages rank highest; cyber attacks and energy costs rank well down the list, the reverse of their customers' view	19.3
Government as a market stimulus	Government is a material customer, yet no provider selected government support and incentives as a factor that will drive ICT spending	15.3

Source: IMR/University of Nicosia, Cyprus ICT Vendor Survey, 2026.

WHAT THE VENDOR SURVEY ESTABLISHES **The domestic supplier layer is confident about growth and is pointed at the right technologies, but its capacity to deliver is the constraint. Providers absorb the talent shortage through employee workload, and their customers experience it as slow response and delayed delivery.**

P.4 Where buyers and suppliers agree, and where they do not

Because the two surveys asked parallel questions, they can be read against each other. This is where the primary research adds most that no published source can.

Table P.4: Buyers and suppliers compared

Theme	Buyers say	Suppliers say	Reading
Delivery capacity	Slow response (63%) and delays (52%) are the main complaints	Overburdened staff and project delays are the main consequences of the skills constraint	Agree: capacity, not competence, is the bottleneck (Ch. 7)
Market structure	Demand is weighted to financial and professional services	Finance, professional services and government dominate revenue	Agree, and both match the modelled vertical structure (Ch. 4, 10)
Artificial intelligence	High intent, low capability; half have no delivery route	High investment focus, limited delivery experience	Both intend; neither yet executes (Ch. 11)
Cybersecurity	Top priority and highest firm commitment	Limited delivery experience; not seen as a leading spending driver	Demand is ahead of supply (Ch. 11)

Theme	Buyers say	Suppliers say	Reading
What will drive spending	Cyber attacks and energy costs	Supply chains and skills shortages	Disagree: each side reports its own constraint (Ch. 19)
Growth	Net +48 points expect higher spending	Growth expected across providers	Agree on direction; suppliers more optimistic (Ch. 22)

Source: IMR/University of Nicosia, Cyprus ICT Vendor and End-User Surveys, 2026.

P.5 The interview programme

The interview programme adds the perspective of those who set policy, supervise the market and run its companies. Interviewees were chosen for their position in the system rather than to form a statistical sample. Each was interviewed individually, using a semi-structured guide adapted to their role. Table P.5 lists the senior stakeholders interviewed; positions are as at the time of interview.

Table P.5: Senior stakeholders interviewed for this study

Interviewee	Position	Principal themes
Nicodemos Damianou	Deputy Minister of Research, Innovation and Digital Policy	The ecosystem framework and the hub objective; relocation and real activity; the divide between international and Cypriot firms; digital position and AI; public and SME digitalisation; skills, upskilling and Schengen; startup funding and commercialisation; partnerships and strategic priorities
Demetris Skourides	National Chief Scientist for Research, Innovation and Technology, Republic of Cyprus	Technology as the route to productivity, revenue and growth; AI adoption from 3.2% to almost 10%, just before take-off; cybersecurity blind spot and synthetic threats; ~120 specialist graduates a year; fivefold startup inflow; resisting the 'behind Europe' label
Marios Pieris	Commissioner of Electronic Communications and Postal Regulation, with responsibility for the Digital Security Authority	NIS2 perimeter from ~60 to ~520 entities and six-hour notification; healthcare legacy-device exposure; a ~1,900-person cyber workforce need; 115 applications for 12 posts; ~9,500 trained free; joint teams with foreign counterparts and private-sector reserve
George Malekkos	President, Cyprus Information Technology Enterprises Association (CITEA)	Domestic ICT capability; SME digitalisation funding; public procurement delay
Senior ICT industry stakeholders	Senior executive of a Cypriot ICT company	Domestic capability; AI as a cross-cutting technology; cloud usage; talent and retention; SME funding; innovation and scale; regional ambition

Source: IMR/University of Nicosia, senior stakeholder interview programme, 2026.

What each interviewee told us

The summaries below record each interviewee's principal positions, as they are used in the report. Figures given in interview are reported as the interviewee's and are labelled as interview evidence wherever they appear.

Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy

The Deputy Minister set out the government's framework, which treats technology not as an isolated sector but as one of three interlocking layers, a technology sector, a startup ecosystem and research and innovation, resting on a strong economy, connectivity infrastructure, public and business digitalisation, skills and a business-friendly environment. The objective is a sustainable transition from a services economy to a knowledge-based one, with Cyprus as a regional technology and innovation hub and, increasingly, a trusted hub for AI solutions. He argued that relocated companies

carry out real activity, creating and exporting software and services from Cyprus, and that the perception of Cyprus as a digital laggard no longer holds, while identifying AI, and SME uptake of AI in particular, as the area where Cyprus remains behind. He acknowledged the divide between international and Cypriot firms in competing for talent, but rejected restraining international growth, pointing instead to public and SME digitalisation as markets domestic firms can compete for. He named funding, research commercialisation and internationalisation as the startup ecosystem's main weaknesses, and set out three strategic priorities: closing the skills gap, the digital maturity of SMEs, and the scaling and globalisation of the ecosystem, supported by international partnerships and bilateral relations.

> *"It is not simply headquartering. It is real activity."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

> *"I acknowledge the challenge."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

> *"Today we are in a position to talk meaningfully about the objective."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

> *"Each layer fits the other."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> *"There are no easy ways. It is a free market and everyone has to fight."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> *"AI preoccupies us. And it should."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Used in sections 1.1, 1.2, 1.7, 4.5, 6.2, 7.6, 8.6, 9.4, 9.5, 9.8, 10.2, 11.1, 11.3, 12.1, 13.3, 13.11, 13.13, 14.3, 14.4, 14.6, 14.7, 15.2, 15.5, 15.6, 16.3, 17.1, 17.3, 19.2, 22.10, 23 and 24, and in the Executive Summary.

Demetris Skourides, National Chief Scientist

The Chief Scientist framed technology first as a productivity question: investment matters because it converts into productivity, then revenue, then growth. He resisted the description of Cyprus as generally behind Europe in digital terms, while identifying artificial intelligence as the area where Cyprus is behind. He described enterprise AI adoption as having risen from 3.2% in 2023 to almost 10%, a trajectory he characterised as being just before take-off. He identified cybersecurity as a blind spot for Cypriot companies and warned that the country is not prepared for synthetic attacks, synthetic identity, fraud and media. On talent, he put annual graduate output across data science, analytics and AI at roughly 120, locating the shortage in advanced specialisms rather than in technology generally, and he described a fivefold rise since 2020 in companies entering the innovation ecosystem.

> *"We have already started; we are just before take-off."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

> *"When you bring technology and translate it into productivity in a country, productivity creates more revenue. More revenue creates economic growth."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

> *"Since 2023, when we were at 3.2% in artificial intelligence, today we are almost at 10%."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

> *"Synthetic attacks, synthetic identity, synthetic fraud, synthetic media. We are not prepared for these things."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

Used in sections 1.3, 7.6, 9.8, 11.1, 11.3, 13.4 and 14.1.

Marios Pieris, Commissioner of Communications

The Commissioner provided supervisory evidence that no published statistic contains. He described the expansion of the population regulated for cybersecurity under the NIS2 framework from around 60 to around 520 entities, and referred to a six-hour initial incident notification. He illustrated the exposure of the healthcare sector through legacy medical equipment. He estimated, on the basis of market research, that Cyprus needs around 1,900 people to cover its cybersecurity needs, and reported strong applicant interest in the Digital Security Authority's own recruitment, around 115 applications for 12 engineer posts. He also described a free national training programme that had reached approximately 9,500 people, and argued for building joint teams with counterpart authorities abroad rather than simply exchanging views.

> *"Based on market research, Cyprus needs around 1,900 people to cover its cybersecurity needs."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026 (translated from Greek)

> *"A CT scanner running on Windows 95: that is a problem."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026 (translated from Greek; offered as an illustrative example of legacy medical technology)

> *"Let's build team together."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026, describing the intended basis of cooperation with counterpart authorities

Used in sections 10.7, 11.3, 13.4, 13.13 and 17.3.

ICT industry stakeholders

Industry evidence, including from George Malekkos, President of the Cyprus Information Technology Enterprises Association (CITEA), and other senior executives of Cypriot ICT companies, is used to describe the experience of the domestic supplier layer: its capability, delivery capacity, talent pressures and dealings with public procurement. It is reported as industry evidence and is weighed against the official statistics and the positions of the Government officials interviewed.

> HOW THE INTERVIEWS ARE USED **Interview evidence is used to explain and test the statistical evidence, not to replace it. Figures given by interviewees are attributed to them and labelled as interview evidence wherever they appear. Where they can be checked against published data, the report does so and records the result.**

P.6 How the primary research shapes the report's conclusions

Table P.6 shows, for each of the report's principal conclusions, the primary research evidence and the secondary evidence on which it rests. Most of the report's central findings depend on the primary research; none rests on a single source.

Table P.6: The principal conclusions and the evidence behind each

Conclusion	Primary research evidence	Secondary evidence
The domestic ICT market is roughly two-fifths the size of the sector's output	End-User Survey: reliance on external providers, spending outlook	CYSTAT national accounts; bottom-up demand model (Ch. 3)
Delivery capacity, not capability, constrains the domestic supplier layer	Both surveys; industry stakeholders	Enterprise structure data (Ch. 2, 7)
Cyprus has an AI delivery problem, not an awareness problem	End-User Survey (intent, skills, sourcing); Vendor Survey; Chief Scientist; Deputy Minister	Eurostat enterprise AI adoption (Ch. 11)
Cybersecurity is the most firmly evidenced growth area	End-User Survey (four separate questions); Commissioner of Communications	NIS2 regulatory timetable; market sizing (Ch. 11)
The talent constraint is specialist and priced, not general	Vendor Survey; End-User skills gaps; Chief Scientist; Commissioner of Communications	Eurostat vacancy and graduate data (Ch. 13)
The barrier to transformation is organisational	End-User Survey	Digital Decade indicators (Ch. 11)
Cyprus is digitally shallow rather than behind	Chief Scientist; Deputy Minister	Digital Decade, Open Data and GovTech indices (Ch. 9)
A divide separates international and Cypriot firms	Vendor Survey; Deputy Minister; industry stakeholders	Foreign investment and employment data (Ch. 4, 5)

Sources: IMR/University of Nicosia primary research, 2026; secondary sources as cited in each chapter.

1. The Cyprus ICT Market in Context

1.1 The economic environment

Cyprus enters 2026 with the strongest macroeconomic position in a generation. Gross domestic product reached €34.77bn at current prices in 2024 following an upward statistical revision of roughly €1.2bn, with real growth of 3.9%. Real GDP now stands approximately 30% above its 2020 level, and growth averaged 4.7% across 2020–2024, a period that included a pandemic, an energy shock and the sanctioning of the economy's largest single foreign investor base. Unemployment stood at 4.2% in February 2026, among the lowest recorded in modern Cypriot economic history, and public debt is on track to fall comfortably below 60% of GDP.

> *"Underlying all of that is the economy, the strong economy. You start from the strong economy, whose results we all know. [...] the diversification of the economy, with ICT as a key pillar [...] the public debt, unemployment, all of that."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Forecasts for 2025 and 2026 diverge more than is comfortable. The International Monetary Fund revised to 2.9% and 2.8% respectively; the European Commission's Spring 2025 forecast gave 3.0% and 2.5%; a later domestic outlook put 3.2% and 3.3%. The dispersion is roughly 0.8 percentage points on 2026, material for a market forecast, and we carry it explicitly into the scenario ranges in Chapter 22 rather than selecting a single figure.

The structural composition of that growth matters more than its rate. Services account for 86.2% of gross value added. Cyprus records the highest share of extra-EU exports in the Union at 69.8%, and the lowest share of employment in high and medium-high technology sectors at 14.6% against an EU average of 38.1%. This is an economy that sells services to the world and manufactures very little.

1.2 The evolution of the digital economy

ICT's share of Cypriot gross value added was 4.3% in 2013. By 2022 it was 9.6%, and by 2025 approximately 12.5%. Over the decade to 2022 the sector grew at an average annual rate of about 15%, outperforming every other sector of the economy including tourism-related accommodation and food services at 12.7%.

The inflection is datable. It follows the 2013 banking crisis, which forced diversification away from a financial sector then representing 12% of gross value added, and accelerates sharply from 2021 with the introduction of the headquartering strategy and the Business Facilitation Unit. Three of the four largest annual increases fall in the three years to 2022.

> *"[...] to transform the economy from a fully services-based model to a knowledge, information technology services model. Which takes us on the path of the EU Startup Nation. And we stress the word startup, because it matters a great deal for the activity we want to build."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Cyprus's technology sector is a post-crisis construction. It was built deliberately, through policy, in roughly eight years, which is both its principal achievement and the source of its principal vulnerability.

1.3 Technology, productivity and growth

Before describing what the ICT sector contributes, it is worth stating clearly what the contribution is ultimately for. Qualitative research conducted for this study produced an unusually direct formulation of the causal chain, from National Chief Scientist Demetris Skourides, who holds the most senior technology and innovation post in the Republic.

> *"When you bring technology and translate it into productivity in a country, productivity creates more revenue. More revenue creates economic growth."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

This framing has a consequence for how this report measures progress, and we adopt it deliberately. Digital progress is conventionally assessed through adoption indicators: AI uptake, cloud penetration, ERP and CRM usage, broadband coverage, ICT expenditure. Those indicators measure inputs. The question that determines economic outcome is whether those inputs convert into measurable productivity gains, and from there into revenue, wages and reinvestment.

Expressed as a sequence, the chain runs: technology investment, then adoption and integration, then productivity, then higher business value and revenue, then economic growth, then higher-value employment and salaries, then greater capacity to attract and retain talent, and thence to further technology investment. Where the sequence completes, it compounds: the flywheel effect that senior stakeholders identify as the objective. Where it breaks, technology spending produces activity without producing growth.

> ANALYTICAL FRAMEWORK **Cyprus's digital progress should be judged by whether technology investment converts into productivity, not by adoption rates alone. This report applies that test wherever the evidence permits, and Chapter 11 shows that the conversion currently breaks at the adoption-to-integration stage, which is precisely where organisational culture rather than technology determines the outcome.**

This also establishes the dual role that runs through the rest of this report. ICT is a vertical sector, measurable in gross value added, employment and exports. It is simultaneously a horizontal enabler capable of raising productivity in shipping, tourism, healthcare, pharmaceuticals, financial services, professional services and government. The first role is what the statistics in Chapter 2 measure. The second is what determines whether the sector matters to the wider Cypriot economy, and it is systematically harder to observe.

1.4 The role of ICT in the Cyprus growth model

The sector now occupies a specific and unusual position in the national accounts. ICT gross value added of €4.1bn in 2025 exceeds total tourism revenue of approximately €3.7bn from a record 4.5 million arrivals. On a like-for-like caution (gross value added and revenue are not the same measure), technology has become at least comparable in scale to the industry that has defined Cyprus internationally for fifty years.

But the two sit differently in the economy. Tourism revenue is earned from visitors physically present in Cyprus and is spent substantially within Cyprus. ICT value added is generated largely by foreign-owned entities selling to foreign customers, with a significant share of profits repatriated. Chapter 5 quantifies that difference and shows it to be the most consequential structural fact in this study.

Three characteristics define ICT's role in the growth model, and each is developed in later chapters:

- **It is counter-cyclical.** The sector grew approximately 21% in 2020 while the economy contracted 3%. It has provided macroeconomic stabilisation, not just growth.

- **It is externally oriented.** Our modelling indicates the domestic market absorbs roughly one-fifth of sector output. The customers are abroad.
- **It is mobile.** It was attracted by tax, regulatory and immigration policy, is concentrated in relocated firms, and is not anchored by research infrastructure, deep domestic supply chains or scale-up capital.

The strategic question the report returns to in Chapter 24 follows directly: what would it take to convert a successful attraction strategy into a durable one?

1.5 The macroeconomic transmission to ICT demand

Every driver of ICT spending in Cyprus runs through one of six macroeconomic channels. Setting them out explicitly is more useful than a general statement that a growing economy buys more technology.

Channel	Position	Effect on ICT demand
GDP growth	3.9% real (2024); ≈3.0% (2025); 2.5–3.3% forecast (2026)	Positive but modest: the domestic market grows roughly with GDP plus 2–3 points
Employment and wages	Unemployment 4.2%; vacancy rate 2.8% vs 1.91% long-run average; minimum wage to €1,000/month from Jan 2026	Positive: labour scarcity is the classic driver of automation and software substitution
Inward migration	Labour force 21.7% third-country, 10.6% other EU	Positive for the sector, adverse for housing costs
Business investment	Gross capital formation €7.19bn (2024), +3.2% current prices, +0.6% real	Weak real growth: a constraint on capital-intensive technology projects
Government expenditure	DMRIDP €172.86m (2026), development spending +13.8%	Positive but concentrated and procurement-constrained
EU funding	RRP digital €300m; Cohesion digital €100m; roadmap €0.98bn	Positive to end-2026, then uncertain (see Chapter 16)
Energy costs	2nd highest non-household electricity price in the EU (H2 2025)	Adverse: raises operating costs and constrains data centre economics

Two of these deserve particular emphasis because they cut against the prevailing optimism. Real gross capital formation grew only 0.6% in 2024 despite 3.2% growth at current prices, meaning Cypriot businesses invested barely more in real terms than the year before, in an economy growing 3.9%. And business investment is the channel through which technology adoption actually happens. A country can grow through consumption, tourism arrivals and services exports without its enterprise base modernising, and on the evidence of the AI adoption figures, Cyprus largely has.

The labour channel points the other way and is the more reliable near-term driver. A vacancy rate 47% above its twenty-year average, an unemployment rate at generational lows and a minimum wage rising to €1,000 per month from January 2026 together create the conditions under which firms substitute software for labour. This is the mechanism most likely to pull Cypriot SMEs from basic digital intensity toward genuine process automation, and it operates without any policy intervention at all.

1.6 The sectors ICT must sell to

Cyprus's economic structure determines the shape of its domestic technology market more than any policy does. Services account for 86.2% of gross value added; industry 6.9%; construction 5.5%; agriculture 1.3%. Within services, the largest blocks are wholesale and retail trade, real estate, professional and technical services, tourism-related accommodation and food, transport and shipping, and financial services.

Of these, only financial services is a naturally high technology-intensity buyer. Tourism, construction, real estate and retail, together roughly half the non-financial business economy, sit at the low end of every published IT intensity benchmark. This is not a failure of those industries; it is what they are. But it means that Cyprus's domestic ICT market is structurally capped by its economic composition in a way that no adoption programme can fully overcome.

Cyprus does not have a small domestic technology market because its firms are backward. It has a small domestic technology market because its economy is composed of industries that do not buy much technology. Recognising this changes what adoption policy should realistically aim at.

1.7 How government frames the same question

This report analyses ICT as a sector: its output, its market, its workforce, its exports. That is the right frame for measurement, and it is not the frame government uses. Evidence from Deputy Minister Nicodemos Damianou, gathered for this study, sets out an explicitly different one, and stating it here matters, because the two frames produce different questions and the rest of this report is more useful if the reader can see both.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister does not treat technology as an isolated sector. He describes it as one of three interlocking layers, alongside the startup ecosystem and research and innovation, resting on a strong economy, infrastructure, digitalisation and a business-friendly environment. The stated aim is a sustainable transition from a services economy to a knowledge-based one, with Cyprus as a regional technology and innovation hub.**

The policy frame treats ICT growth not as the expansion of one sector but as one visible output of a deliberately constructed ecosystem, intended to move Cyprus from an economy dominated by conventional services toward one weighted more heavily to knowledge, innovation and technology. Services account for roughly 80–85% of the Cypriot economy on the Deputy Ministry's own characterisation; the stated objective is not to shrink that share but to raise the sophistication of what sits inside it.

> *"[...] it is not that the technology sector is simply growing in isolation [...] it is part of a plan in which all the layers move forward, and we intervene across the whole pyramid [...] so that the transition from an 80+, 85% services economy to a knowledge-based economy can be sustainable."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Table 1.7: The policy frame, as described in evidence for this study

Level	Components	Where this report examines it
Precondition	A performing macroeconomy	Chapter 1
Foundations	Business environment; digital infrastructure and connectivity; digitalisation of government and of businesses; skills and access to international talent; investment; tax framework; international partnerships	Chapters 1, 9, 12, 13, 15
Layer 1: technology sector	Companies, employment, exports, technical capability, investment, international connectivity	Chapters 2, 4, 7, 8
Layer 2: startup ecosystem	New company formation, entrepreneurship, future scale-ups	Chapter 14

Level	Components	Where this report examines it
Layer 3: research and innovation	Research output, intellectual property, talent, spin-offs, commercialisation	Chapter 14
Objective	A technology and innovation hub for the wider region, and increasingly a trusted hub for AI solutions	Chapters 17, 22

Source: IMR qualitative research for this study, 2026. The framework is the Deputy Ministry's; the mapping to chapters is ours.

The frame is analytically serious and this report adopts part of it. The three layers are genuinely interdependent: a technology sector without new company formation ages, and a startup ecosystem without research capacity runs out of things to commercialise. Chapter 14 finds exactly that dependency operating in Cyprus, with a fast-growing startup layer sitting on the third-lowest research intensity in the Union.

> *"Because if you do not have a startup ecosystem, at some point you will not be able to sustain the technology system. Startup ecosystems usually develop close to mature technology ecosystems."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Where this report departs from the frame is in what it treats as the test. An ecosystem argument is, by construction, difficult to falsify: every component can be described as supporting every other, and weakness anywhere can be attributed to a foundation not yet complete. This report therefore keeps the sectoral measurements separate and asks of each layer whether it is producing measurable output (companies, revenue, exports, employment, retained value) rather than whether it is present. Several layers pass that test. One does not.

HOW TO READ THIS REPORT AGAINST THE POLICY FRAME **Where the ecosystem frame and the measurements agree, this report says so and treats the convergence as strong evidence. Where a layer is institutionally well developed but not yet producing measurable output (research and commercialisation, most clearly), the report reports the gap rather than the architecture.**

2. Size and Structure of the Market: Supply Side

2.1 Reconciling the competing figures

At least four figures currently circulate in credible Cypriot sources as the size of the ICT sector. They are not versions of one another. Establishing what each measures is a precondition for everything that follows.

Figure	What it measures	Year	Source
€3.59bn	ICT contribution to GDP at current prices (gross value added)	2024	CYSTAT national accounts
€3.95bn	ICT production value (services survey basis)	2024	CYSTAT services and transport survey
€4.10bn	ICT gross value added	2025	KPMG Cyprus / Eurostat basis
€5.90bn	Broad technology sector direct GDP contribution	2025	KPMG Cyprus
€11.9bn	Broad technology sector total impact including indirect and induced	2025	KPMG Cyprus

The broad technology sector is defined as ICT plus professional and scientific services plus technology-linked financial services, roughly 44% larger than ICT on the national accounts definition. The €11.9bn figure is a multiplier-based impact estimate, not an output measure.

Our recommendation, applied throughout this report: use ICT gross value added on the national accounts definition as the primary series, because it is the only measure available consistently over time and internationally comparable. Cite the broad technology sector separately and always by name. Treat the €11.9bn impact figure as an advocacy statistic rather than a market measure.

2.2 The core series

Indicator	2022	2023	2024	2025
ICT gross value added (€bn)	2.33	3.06 est	3.59	4.10 est
Share of total gross value added	9.6%	n/a	≈11.6%	12.5% est
Growth, current prices	n/a	n/a	+17.5%	≈+14%
Growth, real terms	n/a	n/a	+11.3%	n/a
Production value growth	n/a	n/a	+22.0%	n/a
Share of business economy value added	15.2%	n/a	n/a	n/a

Sources: CYSTAT national accounts (revised October 2025); CYSTAT services and transport survey (July 2026); KPMG Cyprus 2026. 2023 derived from the 2024 growth rate.

The 2022–2025 trajectory represents a near-doubling of sector value added in three years. For context, ICT's share of business economy value added at 15.2% in 2022 placed Cyprus second in the European Union behind Ireland at 40.8%, ahead of Malta at 13.4% and Bulgaria at 11.4%.

2.3 Employment

Two employment figures are in circulation and they measure different populations. CYSTAT's services and transport survey records 28,440 people employed in information and communication (NACE J) in 2024. The broad technology sector definition gives 48,200 for 2025, approximately 70% higher, because it captures technology-linked professional, scientific and financial services roles.

Measure	Value	Year
ICT sector employment, NACE J	28,440	2024
Broad technology sector employment	48,200	2025
Cypriot nationals	31,700	2025
Other EU nationals	4,100	2025

Measure	Value	Year
Third-country nationals	12,400	2025
Total jobs supported including indirect	≈79,000	2025
Tech employment growth, 10-year average	≈9% – 10% p.a.	2015–2025
ICT specialists as % of total employment	5.0% (EU 5.0%)	2024

Sources: CYSTAT; KPMG Cyprus 2026; European Commission Digital Decade Country Report 2025.

One signal deserves comment because it has been over-read elsewhere. The ICT specialist share of employment fell from 5.4% in 2023 to 5.0% in 2024, in a year when sector value added rose 17.5%. Three explanations are possible: rising output per specialist, growth in roles not classified as ICT specialist, or survey volatility. The third is the most likely and the least discussed: the 2023 figure itself represented 17.4% annual growth, four times the EU rate, and a single-year fall following a single-year spike in a country of Cyprus's size is more probably sampling noise than reversal.

> **Cyprus's small population makes single-year movements in EU survey indicators unreliable. Cypriot commentary consistently over-reads them. This report treats one-year changes in survey-based indicators as signals requiring corroboration, not as findings.**

2.4 Enterprise structure

Cyprus is among the most SME-intensive economies in the Union. Small and medium enterprises generate approximately 77.7% of non-financial business economy value added against an EU average of 56.8%, and 84.1% of employment against an EU average of 66.4%. The average Cypriot SME employs 3.8 people.

This has two direct consequences for the ICT market. First, the addressable enterprise base is numerous but individually small, which raises cost-to-serve and favours standardised and cloud-delivered offerings over bespoke integration. Second, the NIS2 threshold of 50 employees or €10m turnover catches a substantial slice of an economy where firms of that size are the upper-middle of the distribution rather than the mainstream, a point developed in Chapter 11.

2.5 Segment composition

CYSTAT does not publish ICT sector turnover disaggregated by NACE J sub-class on an annual basis, which means the hardware, software, services and telecommunications split for Cyprus must be estimated. Eurostat's ICT sector database confirms that Cyprus's ICT value added is driven almost entirely by services, with no ICT manufacturing data available: the sector is effectively a pure services industry. Within employment, telecommunications represents approximately 1.1% of total Cypriot employment, the second-highest telecoms employment share in the Union after Luxembourg at 1.5%.

Data gap: annual ICT turnover by NACE J sub-class.

2.6 Productivity and enterprise structure in comparative context

Two structural ratios frame everything in this report. Cypriot SMEs generate 77.7% of non-financial business economy value added against an EU average of 56.8%, and 84.1% of employment against an EU average of 66.4%. The average Cypriot SME employs 3.8 people. Cyprus, Malta and Estonia are the three EU economies where SMEs provide more than three-quarters of business economy value added.

For the ICT market this produces a specific and consequential shape. The addressable enterprise base is numerous but individually small, which raises cost-to-serve, favours standardised and cloud-delivered products over bespoke integration, and makes managed services structurally more attractive than in-house capability. It also means the NIS2 threshold of 50 employees or €10m turnover catches firms that sit in the upper-middle of the Cypriot size distribution rather than at its top, a compliance

population far broader, relative to the economy, than the same threshold produces in Germany or France.

On productivity, EU analysis places value added per person employed at approximately €55,000 for the EU-27 average, with Ireland the outlier at €120,000. Cyprus's ICT sector, generating €4.1bn of value added from a NACE J workforce of roughly 28,000–30,000, implies output per worker far above the national average, which is both a genuine indicator of high-value activity and, in part, an artefact of the relocated sector's accounting arrangements described in Chapter 5.

2.7 What the sector is made of

Eurostat's ICT sector database records no ICT manufacturing data for Cyprus, and the aggregate ICT sector series is marked confidential in several reference years. On the available evidence, the Cyprus ICT sector is effectively a pure services industry, with value added driven by computer programming, consultancy and related activities together with telecommunications. Telecommunications alone accounts for approximately 1.1% of total Cypriot employment, the second-highest telecoms employment share in the Union after Luxembourg at 1.5%, and ahead of Latvia at 0.8%.

This composition has a strategic implication that is easy to miss. Cyprus has no hardware manufacturing base to lose and none to build; its technology sector is entirely dependent on services, software and connectivity. That makes it highly mobile (services businesses relocate far more easily than factories), and it makes intellectual property, talent and connectivity the only meaningful anchors available.

3. Size and Structure of the Market: Demand Side

This chapter contains the report's principal original quantitative contribution. No official or commercial source publishes the size of the Cyprus domestic ICT market. We have modelled it.

3.1 Why the obvious method does not work

The natural approach is to subtract exports from output. It fails here. World Bank balance of payments data record Cyprus ICT service exports of approximately US$9.12bn in 2024, equivalent to roughly €8.4bn. CYSTAT records ICT production value of approximately €3.95bn and gross value added of €3.59bn in the same year.

> **Recorded ICT service exports exceed the recorded production value of the entire domestic ICT sector by more than a factor of two. The two series are not on a compatible basis, and the export share of ICT output cannot be computed from published data.**

Four explanations are possible and the report does not choose between them without primary Central Bank tables. The most likely is definitional breadth: the balance of payments category may encompass royalties, licence fees and miscellaneous business and professional services well beyond ICT proper. The second most likely is re-invoicing through Cyprus-resident entities with limited domestic production, consistent with special purpose entities representing 80% of inward FDI stock, and with an IP Box regime that creates strong incentives to route licence income through Cyprus.

Whichever dominates, the direction is the same. Cyprus's headline ICT export performance is inflated relative to domestic ICT production, for substantially the same structural reasons that inflate its headline foreign investment position. The distortion is systematic, not random.

3.2 The model

We therefore built the demand side from the ground up: four segments, each sized independently against its own gross value added base using published IT-intensity benchmarks, then summed. Every assumption is named, sourced and editable in the accompanying workbook.

Segment	GVA base (€m)	Low	Central	High	Share
Rest of business economy	20,426	613	756	919	44.4%
ICT sector's own procurement	4,100	246	348	492	20.5%
Financial services	2,789	265	321	391	18.9%
Public sector (expenditure base)	13,794	207	276	345	16.2%
TOTAL	**n/a**	**1,331**	**1,701**	**2,147**	**100%**

Source: our model, reference year 2025. Model-generated estimate, not an official statistic. Excludes household and consumer ICT spending.

Public sector

General government expenditure of approximately €13.8bn multiplied by public-sector IT intensity of 1.5–2.5%. The cross-check is the strongest single validation in the model: the Deputy Ministry of Research, Innovation and Digital Policy's total 2026 budget of €172.86m (€70.06m regular expenses and €102.80m development spending) equals 62.7% of the modelled central estimate. That is precisely the ratio one would expect once line ministries, semi-government organisations, health, education and local government are added.

Financial services

Sector gross value added of approximately €2.79bn multiplied by IT intensity of 9.5–14.0% of value added, derived from the Gartner, Avasant and IDC benchmark range of 7–10% of revenue for financial

services using a value-added-to-revenue ratio of approximately 0.72. A separate DORA and NIS2 compliance uplift of approximately €38m applies across 2026–27.

Rest of the business economy

Residual gross value added of approximately €20.4bn multiplied by 3.0–4.5%. This band is set deliberately below the European norm for two documented reasons: Cyprus's sector mix is weighted toward low IT-intensity activities such as tourism, construction and real estate, and Cypriot enterprises lag materially on advanced technology adoption.

ICT sector's own procurement

ICT gross value added of €4.1bn multiplied by 6.0–12.0%. Technology firms are heavy technology buyers and this is genuine domestic demand.

3.3 Sensitivity, and an honest caveat

The central case implies ICT expenditure at 4.69% of GDP. European ICT expenditure typically runs 3.5–4.5% of GDP, so our central estimate sits marginally above the norm. Either Cyprus genuinely spends above the European norm (plausible, given an oversized financial sector and a relocated technology sector, both IT-intensive) or the rest-of-economy intensity assumption is set too high.

Rest-of-economy IT intensity	Total addressable (€m)	% of GDP
2.5%	1,456	4.01%
3.0%	1,558	4.29%
3.5%	1,660	4.57%
3.7% (central)	**1,701**	**4.69%**
4.0%	1,762	4.85%
4.5%	1,864	5.14%
5.0%	1,966	5.42%

Source: our model. Live sensitivity table in the accompanying workbook.

For publication we recommend citing the range €1.33–2.15bn with a preferred point estimate of €1.7bn, and showing this table. A single confident number would be less credible and less useful than a transparent band.

3.4 Market composition by technology category

Category	Est. share	Est. value (€m)	Direction 2026–27
IT services (project, managed, support)	~30%	~510	Growing strongly
Software including SaaS	~26%	~440	Growing strongly
Communications services	~22%	~375	Flat
Hardware and devices	~14%	~240	Declining
Data centre and hosting	~8%	~135	Growing

Source: our estimates applied to the central model output, benchmarked to European category splits and adjusted for Cyprus's cloud and AI adoption profile. Indicative; the communications line requires OCECPR revenue data to firm up.

3.5 The finding

Set the domestic market against the sector's output. ICT gross value added in 2025 was €4.1bn; addressable domestic expenditure was approximately €1.7bn, a ratio of 0.41. And that overstates the domestic feed, because a substantial share of the €1.7bn does not accrue to Cyprus-resident firms at all. Imported hardware, foreign software licences and hyperscaler cloud subscriptions leave the island. On a conservative assumption that 45–55% of domestic ICT spend leaks to foreign vendors, revenue reaching Cypriot ICT companies from domestic customers is roughly €800–950m.

> **Against sector output of €4.1bn, the domestic market feeds roughly one-fifth to one-quarter of the Cyprus ICT sector. Three-quarters or more of it is export-facing.**

The caveat, stated plainly: gross value added and expenditure are not the same measure, and this comparison is indicative rather than an accounting identity. It nonetheless holds across the entire plausible range. Even at the high case of €2.15bn with minimal import leakage, the domestic market cannot approach absorbing the sector's output.

3.6 Household and consumer ICT expenditure

The model above deliberately excludes household spending, because vendors and policymakers asking about the Cyprus ICT market almost always mean the organisational market. For completeness, the consumer layer can be approximated: mobile penetration at 163.5% of population against a population near 950,000 implies roughly 1.55 million active mobile connections; fixed broadband subscriptions grew 1.79% in 2024 with 81.5% of connections at 100 Mbps or above; and household internet penetration reached 94.92% in December 2024.

On conventional European retail pricing, this suggests a consumer telecommunications and device market in the region of €500–650m annually. It is a material figure but not an addressable enterprise opportunity, and combining it with the organisational estimate, as some market-sizing exercises do, produces a headline number that overstates the commercial opportunity by roughly a third.

This estimate is indicative only. OCECPR publishes connection and volume statistics but not aggregate retail market revenue, and operator-level revenue is not consistently disclosed across all four providers.

3.7 What would change these numbers

Five inputs, if measured rather than estimated, would materially sharpen the model. Readers should understand which conclusions are sensitive to which assumption.

Input	Current basis	Effect if measured
Rest-of-economy IT intensity	3.0–4.5% of GVA, benchmarked and adjusted	Moves the total between €1.46bn and €1.97bn, the largest single source of uncertainty
Import leakage rate	45–55%, reasoned estimate	Determines whether Cypriot firms capture €765m or €935m of the domestic market
Financial services GVA share	8.5% of total GVA, approximate	Moves the financial services segment by roughly ±€40m per percentage point
Public sector IT intensity	1.5–2.5% of government expenditure	Moves the public segment between €207m and €345m; partially validated by the DMRIDP cross-check
Vertical GVA bases	Estimated from sector accounts	Would redistribute within the total rather than change it

Notably, none of these would change the central finding. Even at the most favourable combination of assumptions (5.0% rest-of-economy intensity and 45% leakage), domestic revenue reaching Cypriot ICT firms reaches roughly €1.08bn against sector output of €4.1bn. The conclusion that the domestic market feeds a minority of the sector is robust across the entire plausible parameter space, which is why we state it with confidence while stating the point estimate with a range.

3.8 Demand-side survey evidence

Primary research conducted for this study allows the modelled market to be tested against the behaviour organisations actually report. The evidence supports both the scale and the structure of the estimate above.

Reliance on external provision is frequent and near-universal. Sixty-four per cent of end-user organisations draw on external ICT providers at least monthly and only 7% never do. The areas where

outside expertise is most often required (software development or customisation at 54% and cybersecurity at 50%) correspond closely to the IT services and software categories that together account for approximately 56% of the modelled addressable market.

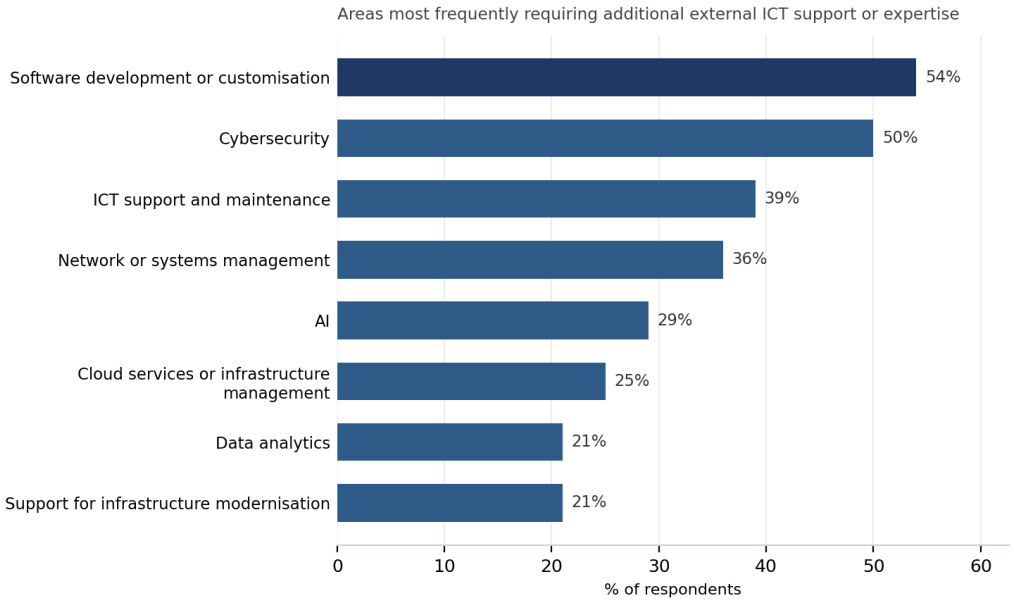


Figure 1. *Software development and cybersecurity are where buyers most often need outside help.* *Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

The distribution matters commercially. Demand concentrates in two capabilities that are labour-intensive, difficult to standardise and impossible to import cheaply, which is precisely why the delivery capacity constraint identified in Chapter 7 binds where it does. Infrastructure modernisation and data analytics, by contrast, generate external demand from only around a fifth of organisations, indicating that the domestic services opportunity is narrower and deeper than a broad digital-transformation framing would suggest.

Almost all organisations are open to Cypriot providers: 64% use both local and international suppliers depending on the service and 33% actively prefer local suppliers, while very few prefer established foreign providers. The domestic supplier layer is not excluded from this market by preference. Chapter 7 shows it is constrained within it by performance.

On the trajectory of spending, 56% of organisations expect total expenditure on external ICT services to rise, 28% expect no change and 8% expect a decrease, a net balance of +48 percentage points (calculated). This is consistent with the base-case demand-side growth rate of 5.6% modelled in Chapter 22, and it is a materially more conservative signal than the supply side provides, a divergence examined in Chapter 22.

Survey figures throughout this report derive from the IMR Cyprus ICT Market Survey 2026, comprising separate vendor and end-user instruments. The research, fieldwork and analysis are set out in section B.6 of Appendix B. Vendor findings are directional throughout.

4. The Two Cyprus ICT Economies

Chapters 2 and 3 measured two things that are usually described as one. This chapter argues that they are in fact two distinct economies that happen to share a jurisdiction, and that almost every apparent contradiction in the Cyprus technology debate dissolves once they are separated.

> GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister acknowledges the divide between international technology companies and purely Cypriot firms, including the difficulty domestic companies face in competing for skills against well-paying global employers. His position is that the growth of foreign companies should not be stopped. There are, he says, no easy ways in a free market; government's role is to create opportunities, through public and SME digitalisation, that Cypriot firms can compete for.**

4.1 The separation

Dimension	Export economy	Domestic economy
Approximate scale	≈€3.2bn+ of sector output	≈€0.8–0.95bn reaching Cypriot firms
Ownership	Predominantly foreign	Predominantly Cypriot
Customers	Abroad	Cyprus organisations
Growth rate	15%+ historically	Roughly GDP + 2–3 points
Workforce	25.7% third-country nationals	Predominantly local
Wage level	International benchmarks	Domestic benchmarks
Principal risk	Mobility: it can leave	Scale: the market is small
Policy lever that works	Tax, immigration, connectivity	Adoption support, procurement, skills

Source: our analysis, drawing on the Chapter 3 model and CYSTAT, KPMG and Eurostat data.

4.2 What the separation explains

Five findings that appear contradictory when ICT is treated as one market become straightforward once it is treated as two.

A top-three EU ICT sector alongside bottom-five enterprise AI adoption. The sector's customers are abroad, so its sophistication imposes no requirement on Cypriot firms to adopt technology. The two populations barely interact.

Acute employer-reported hiring difficulty alongside official vacancy data showing no ICT shortage. The export economy competes at international wage levels for senior specialists; the domestic economy hires locally at domestic rates. Aggregate vacancy statistics average across both and reveal neither.

A 12.5% ICT share of value added alongside third-lowest EU research intensity. Relocated operations bring delivery capability, not laboratories. Value added arrives without research arriving with it.

Record foreign investment alongside six consecutive years of net FDI outflows. The export economy attracts genuine gross inflows while the legacy holding-structure stock unwinds. Chapter 5 quantifies this.

World-class connectivity alongside below-average basic digital skills. Infrastructure was built to serve the export economy's requirements and the Digital Decade targets. Population skills serve the domestic economy and were not the same priority.

4.3 The enclave risk

Independent academic analysis has reached a compatible conclusion by a different route. Writing in June 2026, Antonakakis and Lois of the University of Nicosia describe the headquartering policy as having created “a powerful enclave of outward oriented services,” and identify the risk directly: that Cyprus remains a hospitable platform rather than a co-creator of technology. If domestic SMEs are not connected to multinationals, if universities do not produce applied and marketable knowledge, and if the state does not act as an accelerator of technological upgrading, ICT will exist in Cyprus without sufficiently changing Cyprus.

Our modelling supports that assessment quantitatively. An export economy feeding four-fifths of sector output, with limited procurement from domestic suppliers, limited research linkage and profits substantially repatriated, is an enclave in the technical economic sense, whatever its contribution to headline output.

> **The policy objective for the next phase is not attracting more technology companies. It is increasing the density of connections between the ones already here and the rest of the Cypriot economy.**

Chapter 23 sets out specific instruments for doing that: local procurement incentives, co-funded corporate laboratories, mandated university research linkage in relocation packages, and structured supplier development. None is exotic; all have precedents in small open economies that faced the same problem.

4.4 What the primary research shows about the separation

The vendor instrument of the Cyprus ICT Market Survey 2026 provides an unintended but useful demonstration of the division described in this chapter.

Vendors' revenue confirms the orientation. Among the vendors reporting a customer breakdown, banking and finance accounted for a mean 42.5% of revenue, professional services 30.5% and government 22.5%. That hierarchy matches, from the supply side, the vertical structure modelled independently in Chapter 10 from gross value added bases and IT intensity benchmarks. Two entirely separate methods converge on the same demand structure.

> CONVERGENT EVIDENCE **The domestic supplier layer sells to finance, professional services and the state. Modelled demand and reported vendor revenue agree on this independently, which makes it one of the better-established structural facts in this report.**

The alignment map below sets end-user investment intent against vendor investment focus across the technology areas both instruments covered. It is the clearest single view of how well the two economies described in this chapter are matched to each other.

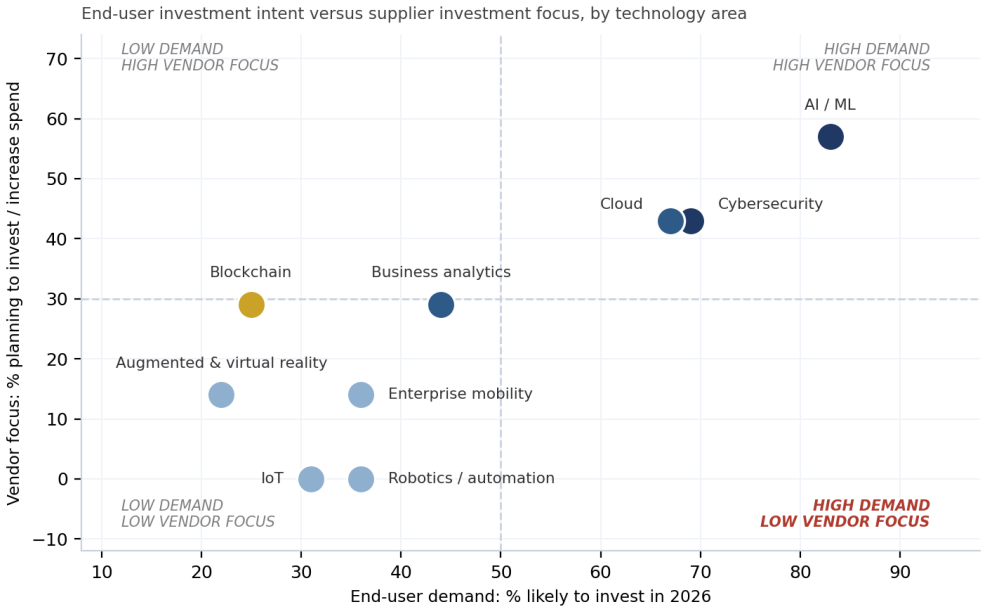


Figure 2. *Supply–demand alignment: where Cyprus ICT supply meets and misses demand. Source: IMR/University of Nicosia, Cyprus ICT Vendor and End-User Surveys, 2026. Vendor axis is directional.*

Three positions matter. AI sits in the high-demand, high-vendor-focus quadrant, but Chapter 11 shows that neither side yet has the capability to execute it. Cybersecurity and cloud sit close to the boundary, with demand running ahead of vendor focus. And the lower-right region (high demand, low vendor focus) is where commercial white space would appear; at present nothing occupies it decisively, which indicates a supply side that is broadly pointed in the right direction but under-weighted relative to demand across the board rather than blind to any single technology.

That is a more optimistic reading than a misalignment finding would be, and it sharpens the diagnosis. The domestic supplier layer's problem is not that it is selling the wrong things. It is that it lacks the capacity to sell enough of the right ones.

4.5 The divide, acknowledged by government

The separation described in this chapter has until now been asserted by this report and corroborated by industry. The Deputy Minister, Nicodemos Damianou, adds a third source, and it is the one with the least incentive to concede the point.

> *"I acknowledge the challenge."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

The acknowledgement is specific. The Deputy Minister recognises a growing divide between foreign and global technology companies operating in Cyprus and purely Cypriot technology companies, with domestic firms reporting difficulty competing on salaries, benefits and resources against employers able to pay substantially more and absorb the best available technical talent. It goes further, recognising that some domestic companies feel Cyprus celebrates the arrival of international technology companies without adequately acknowledging the pressure that arrival creates for local firms.

Independent sources (this report's quantitative separation of the two economies, the domestic industry association's account, and the responsible government ministry's own acknowledgement) now describe the same divide. It is no longer a contested interpretation.

The government's answer, and its limits

The policy position attached to the acknowledgement is that the challenge is real but the remedy cannot be to restrain the growth of international technology companies. Cyprus operates in an open market; foreign firms bring investment, employment, economic activity, skills, exports and international connectivity, and they also intensify competition for a fixed pool of specialists. Government's role is therefore framed as expanding the overall market and creating conditions in which domestic companies can grow, rather than as restricting international ones.

> *"Look, it is a challenge, but it is not something you want to stop. You cannot stop the growth of the technology sector of foreign, multinational or even startup companies [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

This report finds that position correct on the diagnosis and incomplete on the remedy. Correct, because the counterfactual is unattractive: Section 8.3 finds the relocated sector responsible for a substantial share of ICT output, employment and export growth, and a policy that suppressed it would shrink the domestic opportunity rather than protect it. Incomplete, because "expanding the market" is not a mechanism unless something specific expands. Three specific things could, and each is analysed elsewhere in this report.

Mechanism	Why it works on this specific divide	Where analysed
Public procurement	The one large domestic buyer where local establishment, language, regulatory familiarity and data residency give Cypriot firms structural advantage rather than a price disadvantage	15.3, 15.6
Compliance-driven managed security	A €90–130m segment requiring local supervisory relationships and response times international vendors cannot service remotely	11.3
Supplier qualification between the two ecosystems	Relocated firms outsource abroad partly because they cannot readily assess domestic capability; a qualification and visibility mechanism costs little and addresses a transaction-level failure	8.4, 24
SME digitalisation grants	Convert public money directly into purchases from suppliers, with domestic firms well placed to serve the smaller ticket sizes	15.6

Source: our analysis.

WHERE THIS LEAVES THE ARGUMENT **The talent competition is not solvable by policy, and government is right that it should not try. What is solvable is the demand side of the same divide: domestic firms losing engineers to international employers is a labour market outcome, whereas domestic firms not being considered for work by companies operating two streets away is a market failure with identifiable causes. This report's recommendations concentrate on the second, because it is the one that responds to intervention.**

5. What Cyprus Produces and What Cyprus Keeps

This chapter applies an adjustment that the Central Bank of Cyprus publishes and that almost no downstream analysis of the technology sector uses. It changes the picture materially.

5.1 The two foreign investment positions

Measure	2023	2024	Multiple of 2024 GDP
Inward FDI stock (headline)	€400.86bn	€373.62bn	10.7x
Inward FDI stock (SPEs excluded)	n/a	€74.98bn	2.16x
Outward FDI stock (headline)	€366.00bn	€331.75bn	n/a
Outward FDI stock (SPEs excluded)	n/a	€24.70bn	n/a
Net FDI stock (headline)	−€34.86bn	−€41.86bn	n/a
Net FDI transactions	negative	−€5.11bn	6th consecutive negative year
Reinvested earnings, inward	n/a	+€14.28bn	n/a
Net FDI income	−€2.62bn	−€3.43bn	−9.9% of GDP
Rate of return, inward and outward	6.7%	7.8%	n/a

Source: Central Bank of Cyprus, Foreign Direct Investment 2024, published January 2026. All figures actual.

> **Special purpose entities account for approximately 80% of Cyprus's headline inward foreign investment stock, €298.64bn of €373.62bn. The Central Bank publishes the adjusted series precisely to remove this distortion. Very little published analysis of the Cyprus technology sector applies it.**

5.2 Applying the adjustment to ICT

The most-cited claim about technology investment in Cyprus is that ICT represents 17% of inward FDI stock, making it the third-largest recipient sector after financial services and real estate. Test the claim on both bases:

Basis	ICT stock at 17%	Sanity check
Headline inward stock (€373.62bn)	€63.5bn	1.83x total Cyprus GDP in one sector, implausible as operating investment
SPE-adjusted stock (€74.98bn)	€12.75bn	≈37% of GDP, ≈3.1x annual ICT gross value added, plausible

Our analysis is that the 17% figure is interpretable only on the adjusted basis, implying an ICT inward FDI stock of roughly €12–13bn. Any presentation of ICT foreign investment against the headline series overstates the real economic footprint by approximately a factor of five. We recommend that the sector adopt the adjusted basis as standard and show the arithmetic.

5.3 The €2.5 billion claim, resolved

A figure widely repeated in 2026 holds that the technology sector attracted more than €2.5bn in new foreign capital during 2024. Three reference points bracket it. Invest Cyprus reports gross FDI inflows of €8.5bn in 2024, up approximately 60%, so €2.5bn to technology represents roughly 29% of gross inflows, internally consistent with ICT being a top-three recipient sector. The Central Bank, however, records inward FDI transactions in 2024 as minus €17.36bn, a net outflow. And reinvested earnings on inward FDI were positive €14.28bn.

These are not contradictory. Gross inflow, net transaction and reinvested earnings are three different measures. A country can simultaneously attract €8.5bn of gross inflows, record €17.36bn of net outflows and retain €14.28bn of reinvested earnings, because the outflow is dominated by special

purpose entity restructuring and Russian disinvestment while reinvested earnings reflect foreign-owned operating companies retaining profits in Cyprus.

> **The €2.5bn figure is defensible as a gross inflow attribution and should be cited only as such. It is not evidence of net capital formation in the Cyprus technology sector.**

The per-capita ranking, and why it should not be repeated

A related claim circulates alongside the €8.5bn figure and requires the same treatment. Policy evidence gathered for this study describes record investment of more than €8bn and places Cyprus roughly second in Europe per capita and tenth globally on that basis. Verification for this report establishes three things about it.

- The euro figure is the Invest Cyprus **gross FDI inflow** figure for **2024**, €8.5bn, up approximately 60% year on year, of which roughly **€2.6bn is attributed to the technology sector**. Invest Cyprus's own release describes a year of particularly strong performance and does not call it a record. No 2025 figure had been published at the time of writing, so this is a two-year-old number.
- The **per-capita ranking is not sourced**. Invest Cyprus's own release claims only a position among the global top ten on foreign direct investment per capita; the "second in the European Union" formulation appears in press coverage, and neither can be traced to UNCTAD, Eurostat, the OECD or any published league table.
- More importantly, **a per-capita ranking built on headline FDI is measuring the wrong thing**, for the reason this chapter has already established. Gross inflows on the unadjusted basis include special purpose entity flows, which in Cyprus account for roughly 80% of the inward stock. Any per-capita league table on that basis mechanically elevates small conduit jurisdictions (Luxembourg, Malta, Ireland, the Netherlands, Cyprus) and ranks them on the intensity of their financial plumbing rather than on investment in their economies.

> A RANKING THAT MEASURES THE WRONG THING **Cyprus almost certainly does rank near the top of Europe on FDI per capita. That is not the achievement it appears to be: on the unadjusted basis the ranking is a measure of conduit intensity, and the countries Cyprus is beating are being beaten on a metric none of them would choose. The SPE-adjusted stock of €74.98bn against €373.62bn headline is the same finding stated a different way. This report does not reproduce the per-capita ranking, and recommends that Cypriot institutions stop doing so.**

The €2.6bn technology attribution within the 2024 gross inflow is a useful and previously uncited figure, and it is consistent with the €2.5bn claim examined above. Both describe gross inflow attributed to the sector. Neither is net capital formation.

5.4 The Russian unwinding

Interpreting the six-year negative transaction series requires one further decomposition. Across 2023–24, Russian disinvestment from Cyprus amounted to approximately €50.1bn as assets were sold, liquidated or transferred following sanctions, while net FDI inflows excluding Russia over the same period were approximately €33.1bn, led by new investment from the Netherlands and the United Kingdom. Russia nonetheless remained the largest single partner economy for both inward and outward stock in 2024: the legacy stock is unwinding, not the flows reversing.

A report citing six consecutive years of net foreign investment outflows without this decomposition would convey precisely the wrong impression of Cyprus's investment attractiveness.

Note: the €50.1bn and €33.1bn figures are Tier 3 estimates and have not been verified against the Central Bank's own geographic tables.

5.5 The retention question

The most consequential number in this chapter is not a stock but a flow. Net FDI income in 2024 was minus €3.43bn, worsening from minus €2.62bn in 2023. Income paid to foreign investors exceeded income earned abroad by an amount equivalent to 9.9% of gross domestic product.

This is the mechanism by which value produced in Cyprus does not remain in Cyprus. Foreign-owned companies generate service exports, employment and tax revenue; a significant share of profits is repatriated to parent companies and shareholders abroad, opening a gap between gross domestic product and gross national income.

> **ICT gross value added of €4.1bn is what Cyprus produces. It is not what Cyprus keeps. And because no published source splits net FDI income by sector, the ICT-specific retention rate is currently unmeasurable, which makes it the most important unmeasured quantity in the Cyprus technology economy.**

This is not an argument against the attraction strategy. Attracting foreign companies raises employment, tax revenue, skills and international connectivity, all of which are real. It is an argument that headline value added overstates the national benefit, that the overstatement is quantifiable in aggregate but not yet by sector, and that closing this measurement gap should be a priority for the Central Bank and CYSTAT.

6. Evolution of the Market 2019–2026

6.1 The trajectory

Year	ICT GVA (€bn)	Share of GVA	Notable development
2013	≈0.62	4.3%	Post-banking-crisis baseline
2019	n/a	n/a	Pre-pandemic; steady growth
2020	n/a	n/a	Economy −3%, ICT +21%: counter-cyclical
2021	n/a	n/a	Headquartering strategy approved Oct; record €85.5m startup funding
2022	2.33	9.6%	Strategy in force Jan; relocation accelerates
2023	≈3.06	n/a	ICT specialists spike to 5.4%; FTTP 77.1%
2024	3.59	≈11.6%	+17.5% nominal, +11.3% real; 5G fully achieved; production value +22%
2025	≈4.10	12.5%	33East fund closes; BlueMed lands; GBARD falls 25.6%
2026	n/a	n/a	Tax reform in force; Pharos-CY inaugurated; EMC service; policy cliff approaches

Sources: CYSTAT; KPMG Cyprus 2026; European Commission Digital Decade reports; Central Bank of Cyprus.

6.2 Turning points

Four moments changed the trajectory rather than continuing it.

2013: the banking crisis. Financial services fell from 12% of gross value added and diversification became a national necessity rather than an aspiration. ICT's 4.3% base dates from here.

2020: the pandemic. The sector's 21% growth against a 3% contraction demonstrated counter-cyclicality and established technology as a stabiliser in policy thinking.

> *"I believe that in the coming years the sector has very good prospects of becoming a pillar of the economy. […] It is going very, very well."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

January 2022: the headquartering strategy. The Companies of Foreign Interests mechanism and Business Facilitation Unit converted relocation from a months-long process to a weeks-long one. This is the single largest policy driver of the growth in this table.

February 2022 onward: the Ukraine war and sanctions. These simultaneously drove relocation of technology firms and staff from the region into Cyprus, and triggered the €50bn Russian disinvestment described in Chapter 5. Cyprus gained an operating economy and lost a holding-structure stock in the same event.

6.3 Structural versus cyclical

The brief asks which developments are structural and which cyclical. Our assessment:

Development	Assessment	Basis
Shift from hardware to software and services	Structural	Global; irreversible; cloud substitution
Cloud replacing on-premise infrastructure	Structural	Commission assesses Cyprus uptake "well advanced"
Cybersecurity as mandatory expenditure	Structural	NIS2, DORA, CRA are statutory, not discretionary
Technology company relocation	Structural but reversible	Policy-created; mobile; competitor jurisdictions active

Development	Assessment	Basis
AI as a new investment cycle	Structural globally, not yet in Cyprus	9.27% adoption; €6m instrument
Third-country talent dependence	Structural	25.7% of tech workforce; no domestic pipeline substitute
Growth in managed services	Structural	SME-heavy market; compliance-driven
Post-2021 relocation surge rate	Cyclical	Geopolitically driven; will not repeat at that rate
Russian FDI unwinding	Cyclical, largely complete	One-off sanctions response
2023 ICT specialist spike	Statistical artefact	17.4% single-year growth; corrected 2024

Source: our assessment against the evidence in Chapters 2–5 and 9–13.

> **The relocation-driven component of Cyprus's ICT growth is structural in the sense that the firms are here and operating, but reversible in the sense that nothing anchors them. That distinction is the central strategic risk in this report.**

7. The Cyprus ICT Ecosystem

This chapter maps the institutional and commercial architecture of the Cyprus technology sector. It is deliberately structural rather than a league table: we identify categories, the institutions that occupy them, and where the density is thin. We have not published unsupported rankings of companies by size or revenue, because the underlying data are not public and any such table would be inference presented as fact.

7.1 Telecommunications and network infrastructure

Four operators serve the Republic. Cyta, the state-owned incumbent, operates fixed, mobile (as Cytamobile-Vodafone), the national backbone, the international submarine cable gateways and a data centre portfolio now being materially expanded. Epic, owned by Monaco Telecom since 2018, is the principal mobile challenger and secured €19m from the European Investment Bank for 1,600km of fibre. Cablenet operates cable and mobile services. PrimeTel provides fixed, mobile and television services.

Contested: one industry source records a PrimeTel exit from the mobile market in 2023, while consumer-facing sources through 2026 continue to list PrimeTel as an active retail provider across fixed, mobile and television. We have been unable to reconcile these from public sources; OCECPR filings would be the definitive reference.

Market structure is concentrated: Cyta held approximately 54.2% of mobile connections in 2024 with Epic at 34.8%. The regulator is the Office of the Commissioner of Electronic Communications and Postal Regulation, which publishes semi-annual market statistics and periodic consumer quality surveys.

7.2 IT services, systems integration and software

The domestic services layer is fragmented and SME-scale, consistent with an economy in which small and medium enterprises generate 77.7% of business economy value added. It comprises systems integrators serving government and financial services, resellers and managed service providers, specialist software houses in banking, shipping, insurance and gaming verticals, and the Cyprus practices of the international professional services firms (KPMG, PwC, Deloitte, EY), which occupy the upper end of consulting and technology advisory work.

The most important structural observation about this layer is that its addressable domestic revenue is bounded at roughly €800–950m (Chapter 3), and it competes for that against international vendors capturing the software and cloud components. Its realistic growth paths are compliance-driven managed services, vertical specialisation where domain knowledge is defensible, and export.

7.3 The relocated technology sector

Numerically and economically the largest part of the ecosystem, and the least documented. It comprises software development operations, fintech and forex firms, online gaming and digital platform companies, regional headquarters and research and development teams established under the headquartering strategy. Cyprus has licensed more Cyprus Investment Firms than any other EU jurisdiction (several hundred retail brokers, proprietary trading firms, asset managers and wealth managers), and CySEC authorises both MiFID investment firms and MiCA crypto-asset service providers, making Cyprus one of a small group of EU supervisors covering both.

Data gap: no public register identifies which companies operate under the headquartering strategy, their employment, or their sector. This is the single largest documentation gap in the Cyprus technology ecosystem and it materially limits what any study can say about the sector's composition.

7.4 Data centres and hosting

Approximately 18 facilities across 13 operators, historically fragmented, with the largest carrier-neutral facility offering only 600 square metres of raised floor at last published measurement. Cyta's new build, phase one entering commercial operation in early 2027, will become the largest privately owned data centre in the country. A hybrid Government Cloud tender closed for bids in October 2025.

7.5 Institutions, education and research

Category	Principal institutions	Role
Policy and digital government	Deputy Ministry of Research, Innovation and Digital Policy; Chief Scientist	National digital and research strategy; e-government; broadband plan; AI Act coordination
Regulators	OCECPR and the Digital Security Authority (a single office under one Commissioner); CySEC; Commissioner for Personal Data Protection; State Aid Control Commissioner	Electronic communications and postal regulation, NIS2 supervision and NCC-CY, under one Commissioner; investment firms and CASPs; GDPR; state aid
Research funding	Research and Innovation Foundation (RIF)	THALIA, INNOVATE, DISRUPT schemes; Future Founders Academy (Aug 2025)
Compute infrastructure	Pharos-CY AI Factory Antenna (EuroHPC, NVIDIA-powered, partnered with the Greek AI Factory)	Open-access HPC and AI services for business, research and startups
Universities	University of Cyprus; Cyprus University of Technology; University of Nicosia; UCLan Cyprus	ICT and engineering graduate supply; research; UNIC holds an established position in blockchain and digital currency
Investment promotion	Invest Cyprus; Business Facilitation Unit	FDI attraction; fast-track company establishment and third-country work permits
Industry associations	TechIsland; CITEA; Cyprus Chamber of Commerce and Industry (KEVE); Cyprus Employers and Industrialists Federation (OEB); Cyprus Computer Society	Advocacy; salary and workforce benchmarking (TechIsland with Mercer); talent platforms
Capital	33East Venture Capital; Cyprus Equity Fund; European Investment Fund; Bank of Cyprus; Crowdbase	Pre-seed and seed capital; angel network; crowdfunding

7.6 A maturing domestic ecosystem

The structural mapping above describes categories and gaps. It understates one development that the qualitative research brings out clearly: Cyprus has ceased to be purely a consumer of foreign technology and now supports a domestic supplier base building on current technology rather than legacy platforms.

> *"All these companies are not companies that use old technology. They use modern technology."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

The examples cited in the qualitative research span modern ERP, CRM, point-of-sale and analytics solutions, intelligent dashboards, automated marketing campaigns and AI assistants, including applications built for traditionally non-technology sectors such as legal services. That last point matters more than it appears: it indicates innovation diffusing outward from the ICT sector into the wider professional economy, which is the mechanism this report identifies as absent in Chapter 4.

Two qualifications keep this in proportion. The first is that domestic capability is not the same as domestic scale: Chapter 3 bounds the revenue reaching Cypriot ICT firms from domestic customers at roughly €800–950m, and Chapter 14 shows the largest domestic growth fund at €35m. Cyprus has modern suppliers, not large ones.

> *"[…] I think it is more the playground of Cypriot businesses; the room is there […] but there are ways, and the market must certainly work on its own […] we consider that we have the policies in place for them to be able to operate […]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

The second is that diffusion remains uneven, and the quantitative evidence locates the unevenness precisely. Cypriot SMEs are above the EU average on basic digital intensity at 74.35% against 71.39%, but at 9.27% on enterprise AI adoption they are fifth from bottom in the Union. Sophisticated suppliers and an under-digitised segment of the business base can coexist, and in Cyprus they do.

> INTERPRETIVE NUANCE **Cyprus should not be characterised simply as behind Europe. It has modern domestic suppliers, above-average SME basic digitalisation, complete 5G and near-universal gigabit coverage, alongside bottom-five advanced technology adoption and third-lowest research intensity. The weaknesses are specific and locatable, not general, and Chapter 9 sets out precisely where they sit.**

7.7 A capability the domestic market underestimates

A recurring theme in the qualitative research is that the technical capability of Cypriot ICT companies is systematically underestimated by their own domestic market. Industry participants report that Cypriot firms compete directly against international providers and, in specialised areas such as artificial intelligence and complex ERP implementation, sometimes outperform them.

> *"The capabilities we have are much greater than what the market believes."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

The quantitative evidence supports the substance of this claim from an unexpected direction. When Cypriot organisations were asked what dissatisfies them about their ICT providers, only 15% cited a lack of expertise or problem-solving ability, second from bottom in a list of eleven, while 63% cited slow response times and 52% cited delivery delays. Buyers do not doubt their suppliers' competence. What they fault, on the evidence of section 7.9, is speed.

> CONVERGENT EVIDENCE **Industry stakeholders report that domestic capability is underestimated. Demand-side research shows that buyers rank supplier competence among their smallest concerns while ranking speed among their largest. Both point to the same conclusion: the domestic supplier layer has a delivery and perception problem, not a capability problem.**

Two commercial consequences follow. The first concerns positioning: if capability is not in question but is not recognised, the constraint is visibility and demonstrated delivery rather than technical investment. The second concerns exports. A supplier base capable of competing with international providers in specialised implementation work is, in principle, capable of selling that work beyond Cyprus, which is the only route past the roughly €800–950m domestic revenue ceiling established in Chapter 3.

Industry participants also identify vertical specialisation as the realistic route to competitiveness. Cypriot software firms are unlikely to compete with global platforms across full functional breadth, but a locally developed ERP or workflow solution built around deep knowledge of a specific industry can be highly competitive within it. This aligns with the report's wider assessment in Chapter 17 that Cyprus's advantage lies in specialised, high-value niches rather than in replicating global-scale platforms.

7.8 Where the ecosystem is thin

Three gaps are structural rather than incidental. There is no domestic growth-capital layer above roughly €35m, so scaling companies must go abroad for Series B and beyond. There is no functioning technology transfer chain converting university research into spin-outs and patents at scale, reflected

in patent applications at 54.6% of the EU average. And there is minimal documented linkage between the relocated sector and domestic suppliers, universities or research institutions: the enclave problem quantified in Chapter 4.

7.9 What customers say about the domestic supplier layer

Until now the competitive position of Cypriot ICT providers has been described in this report from structural evidence (market size, enterprise scale, import leakage). Primary research allows it to be characterised directly, from the customers themselves, and the result is not what the sector generally assumes.

Asked to select their top three dissatisfactions with ICT providers, 63% of end-user organisations named slow response times and 52% named delays in delivery or implementation. Only 15% cited a lack of expertise or problem-solving ability, and none cited frequent service disruptions.

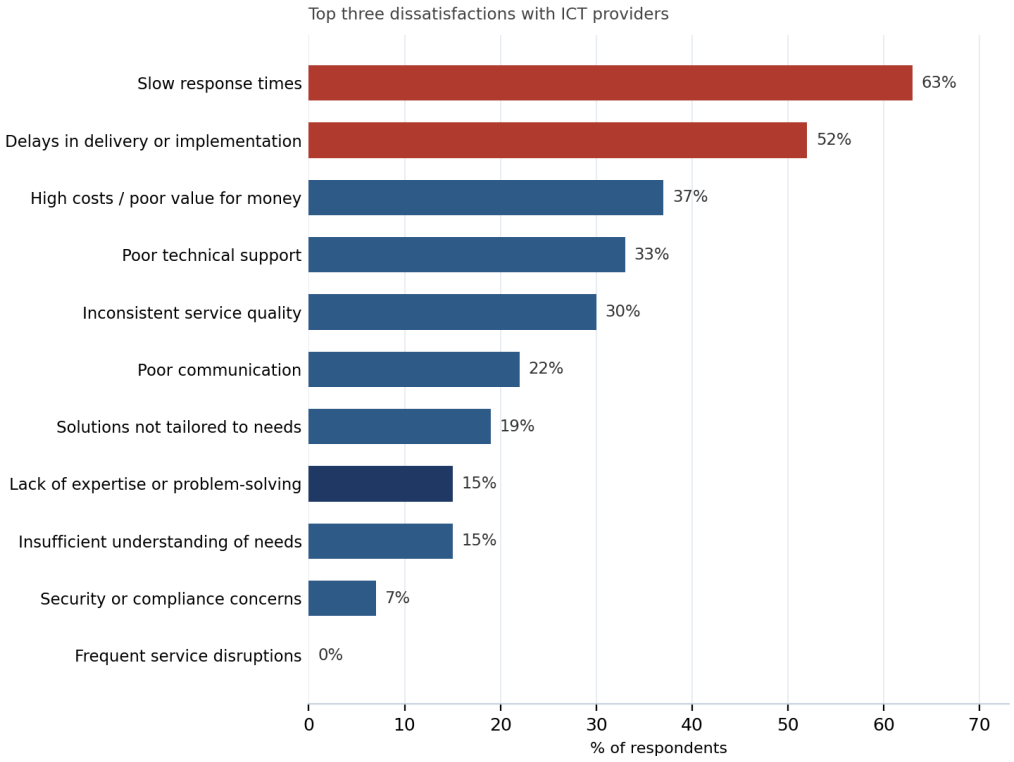


Figure 3. *Buyers fault their ICT providers for speed, not for competence.* *Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

The pattern is unambiguous and it inverts the usual framing. Cypriot buyers do not consider their providers technically deficient. They consider them slow. Cost and value rank third at 37%, well behind both speed measures.

Evidence from ICT providers points to the same condition from the opposite direction. A majority of vendors reported overburdened employees and project delays as consequences of limited technical expertise, while only a minority reported higher costs from outsourcing or hiring. Vendors are absorbing the constraint through employee load rather than through cost, a coping mechanism that degrades delivery speed first and retention second.

> **MARKET SIGNAL** **Two independent samples, answering different questions from opposite sides of the market, describe the same bottleneck. This rests on directional agreement rather than on any single percentage. The binding constraint on the domestic supplier layer is delivery capacity, not capability.**

This finding reframes a good deal of the sector debate. It implies that measures aimed at raising technical standards address a problem customers do not report having, while measures aimed at throughput (delivery automation, capacity planning, selective capability import, service-level commitment) address the one they do.

7.10 How customers choose

The same research establishes how Cypriot organisations select providers, and the answer qualifies an assumption embedded in much industry commentary.

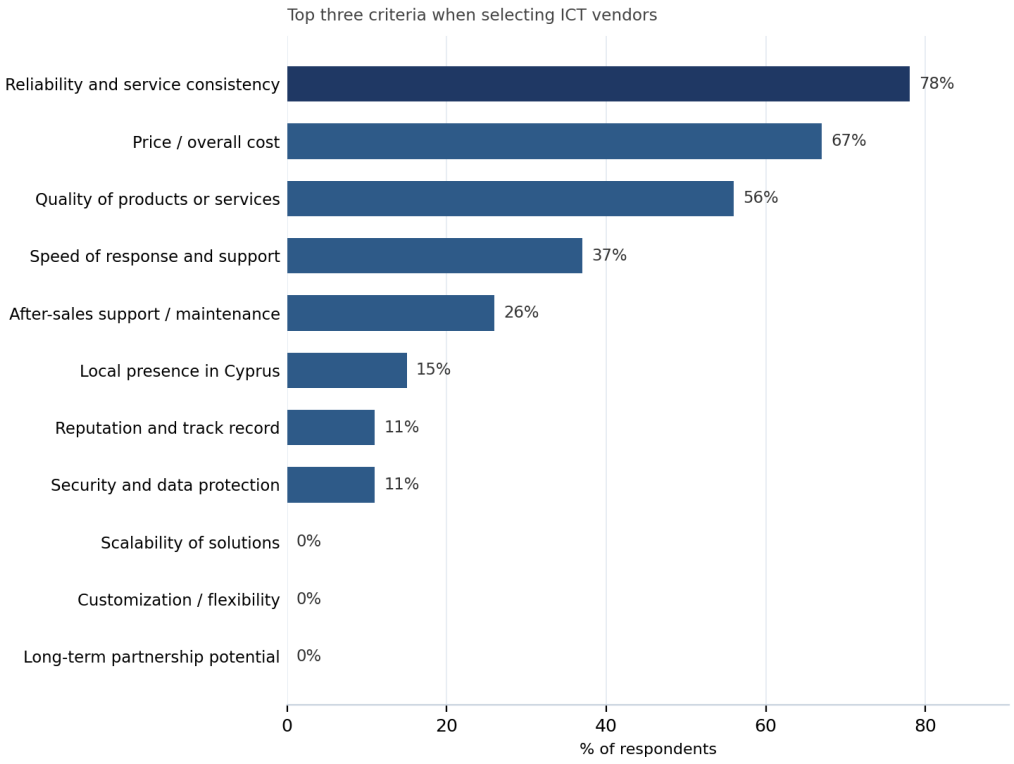


Figure 4. *Cyprus buyers select ICT vendors on reliability and price, not on partnership. Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

Reliability and service consistency was named among the top three selection criteria by 78% of organisations, price by 67% and quality by 56%. Local presence in Cyprus was named by only 15%. Three criteria received no selections at all: long-term partnership potential, scalability of solutions, and customisation and flexibility.

Two conclusions follow. First, Cypriot organisations will readily use local suppliers (97% use them at least some of the time) but do not select them for being local. Proximity is a tie-breaker, not a differentiator, which means the domestic layer's competitive protection is weaker than geography might suggest and its position rests on operational performance.

Second, and more challenging, the widely held expectation that customers increasingly seek transformation partners rather than technology providers is not supported by this evidence. In a

forced top-three question, no organisation placed partnership potential above reliability, price or quality. That does not mean partnership is worthless; it means it is not currently what wins the work.

> STRATEGIC IMPLICATION **Cypriot ICT providers leading with partnership and transformation language are selling against their customers' stated criteria. Operational credibility (demonstrable reliability and provable delivery speed) must precede strategic positioning, not substitute for it.**

7.11 The supplier layer and the wider ecosystem

Two further results bear on the ecosystem gaps identified in section 7.8. Only a minority of vendors reported collaborating with universities or training providers to build technical capability, against a large majority using automation to reduce manual work and a majority relying on internal training. Industry is solving its capability problem by bypassing the education and research system entirely: rational for each firm, and collectively reinforcing the national research weakness documented in Chapter 14.

On startups, 85% of vendors consider them important to the sector's future. The established supplier layer and the fast-growing startup ecosystem are operating in parallel rather than in connection, with subcontracting the only channel functioning at any scale.

8. Technology Company Relocation

Relocation is the single largest driver of the growth documented in Chapter 2 and the least well measured phenomenon in the Cyprus economy. This chapter assesses what is known, what is inferred and whether the development constitutes a structural change.

> GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister rejects the view that the relocated sector is simply headquartering. He points to real activity, with companies creating services and products in Cyprus and exporting them, mostly software rather than telecommunications. He attributes the attraction not only to tax incentives, which government keeps in place, but to the strength of the economy, the business-friendly environment and a significantly upgraded Invest Cyprus.**

8.1 The policy machinery

The Council of Ministers approved the Strategy for Attracting Businesses for Activities or Expansion of their Activities in Cyprus on 15 October 2021, in force from 2 January 2022. It replaced the earlier foreign-interest-company policy with a fast-track mechanism through the Business Facilitation Unit.

Element	Requirement or provision
Eligibility	Majority third-country ownership; where foreign holding is 50% or less, a minimum €200,000 share capital investment
Third-country employment	Fast-track work and residence permits for staff meeting a minimum gross salary threshold, degree or equivalent qualification or two years' relevant experience, and a contract of at least two years
Family reunification	Provided for; spouses and dependent children
Speed	Practitioners report establishment and operational status achievable in weeks; previously months
Naturalisation pathway	Citizenship application possible after five years of continuous legal residence
Complementary schemes	Startup Visa Scheme for innovative enterprises; Digital Nomad Visa (€3,500 net monthly income, capped at 1,000 permits)

The tax framework supporting it survived the 2026 reform substantially intact: corporate income tax at 15%, IP Box effective rate near 3%, zero withholding tax on outbound dividends, the notional interest deduction, the non-domicile regime, and, newly, loss carry-forward extended from five to seven years and the Special Defence Contribution on dividends cut from 17% to 5%.

8.2 What relocated, and from where

Documentary evidence on composition is thin, and we state the limitation plainly. What can be established: the origin mix is dominated by companies from Russia, Ukraine, Israel, the United States and the United Kingdom; the activity mix is weighted toward software development, fintech and forex, online gaming and digital platforms, and regional headquarters and support functions rather than manufacturing or research; and the timing correlates strongly with both the January 2022 policy change and the February 2022 invasion of Ukraine.

The employment evidence is the most concrete. Of 48,200 people in the broad technology sector in 2025, 12,400 are third-country nationals and 4,100 are other EU nationals, 34.2% non-Cypriot in total. Cyprus's labour force overall was 67.7% Cypriot, 10.6% other EU and 21.7% third-country in 2023, against EU averages of roughly 85%, 4.3% and 10.5%. Cyprus is the most foreign-dependent labour market in the Union, and the technology sector is more foreign-dependent than the Cypriot average.

8.3 Economic impact

Channel	Evidence	Assessment
Output	ICT GVA from €2.33bn (2022) to €4.10bn (2025); +435% 2016–2025 vs EU +86%	Large and demonstrable
Employment	Broad tech sector 48,200 (2025); ~10% annual growth over the decade; ~79,000 jobs including indirect	Large
Foreign investment	ICT ≈17% of SPE-adjusted inward FDI stock (≈€12–13bn); third-largest FDI sector	Substantial, once correctly measured
Tax revenue	Not separately published for the sector	Unmeasured
Wages	Senior technology salaries at international benchmarks; wide junior-to-senior spread	Upward pressure at the top of the distribution
Property	Concentration in Limassol and Nicosia; housing costs rising faster than wages	Material and adverse for residents
Domestic supplier linkage	No published procurement data; enclave characteristics documented	Weak: the principal policy failure
Research linkage	GERD 0.65% of GDP; patents 54.6% of EU average	Minimal
Value retention	Net FDI income −€3.43bn (−9.9% of GDP); no sectoral split	Significant leakage; ICT share unmeasurable

8.4 The linkage the ecosystem is not making

Industry participants interviewed for this study are consistently positive about the presence of international technology companies in Cyprus. They bring economic activity, local spending, employment and depth to the wider ecosystem, and the qualitative research does not frame their arrival as displacing domestic firms.

The concern is narrower and more specific: when those companies require third-party ICT services, they do not reliably consider Cypriot providers before outsourcing abroad. Given the capability assessment in Chapter 7 (that domestic technical capability exceeds market perception), this represents a commercial opportunity being lost at the point of procurement rather than at the point of capability.

> STRUCTURAL GAP **The most valuable customers physically present in Cyprus are among the least likely to buy from Cypriot suppliers. This is the enclave problem expressed at transaction level, and unlike research linkage or scale-up capital it requires no new funding to address, only introduction, qualification and visibility.**

Efforts to bridge the two ecosystems are beginning. Industry participants reference a developing closer relationship between CITEA, representing the domestic ICT enterprise base, and TechIsland, representing much of the relocated technology sector. On the evidence of this report that is precisely the right mechanism, and its practical output (supplier qualification, procurement visibility, measured local sourcing) is what should be tracked.

It also connects to a measurement gap. No published data record procurement by relocated firms from domestic suppliers, so neither the current level nor any improvement in it can be observed. A linkage strategy without a linkage metric will not be assessable.

8.5 Is this a structural change in the Cyprus economy?

The brief asks this question directly. Our answer is a qualified yes, with the qualification carrying most of the weight.

It is structural in composition. ICT's share of gross value added moved from 4.3% in 2013 to 12.5% in 2025, a near-tripling that reshaped the sectoral balance of the economy, displaced financial services

from the top of the value added table, and created an entirely new labour market segment. The tourism comparison makes the scale legible: ICT gross value added now exceeds total tourism revenue. No plausible reversal returns Cyprus to its 2013 composition.

It is not structural in rootedness. The activity was attracted by policy levers that competitor jurisdictions can replicate; it is concentrated in firms with no historical connection to Cyprus; it is staffed one-third by non-nationals whose retention depends on cost of living; it has generated minimal research, patent or domestic supply-chain linkage; and it operates in an enclave whose customers, capital and profits are largely external.

> **Cyprus has undergone a structural change in what its economy produces. It has not yet undergone a structural change in what its economy is capable of. The first was achieved by policy in eight years; the second requires research capacity, scale-up capital and domestic linkage, none of which policy has yet addressed at scale.**

8.6 "It is not simply headquartering", the proposition tested

The preceding section concluded that Cyprus has undergone a structural change in what its economy produces but not in what it is capable of. Deputy Minister Nicodemos Damianou pushes back on the scepticism that framing can invite, and the objection is substantive enough to be tested rather than noted.

> *"It is not simply headquartering. It is real activity."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

The argument behind it is that relocated technology companies are not merely booking revenue through Cypriot entities. They are writing software, building products and delivering technology services from Cyprus and exporting them, and the growth in ICT service exports recorded by the Central Bank between 2019 and 2025 reflects that operating activity rather than a change in where invoices are raised. The distinction matters commercially: a jurisdiction hosting operations has a supplier market, a labour market and a skills base; a jurisdiction hosting registrations has none of these.

What the evidence supports

Four independent measures support the proposition, and this report accepts it on them.

Table 8.6: Testing the "real activity" proposition

Test	Evidence	Verdict
Is there employment?	48,200 people employed in the broad technology sector in 2025 (KPMG), of whom 16,500 are foreign nationals. Eurostat separately records 24,700 ICT specialists in occupational terms. Registration activity does not require a workforce of this size.	Supports: strongly
Is there output?	ICT gross value added of approximately €4.1bn in 2025, 12.5% of total GVA, grown 435% since 2016. GVA is a production measure and cannot be generated by a letterbox.	Supports: strongly
Are exports services rather than capital flows?	ICT service exports have risen sharply since 2019, concentrated in computer and information services rather than telecommunications. The composition is the point: software and IT services are produced by people.	Supports

Test	Evidence	Verdict
Do domestic suppliers see operating businesses?	Primary research finds relocated firms buying selectively from domestic providers and, where they do not, outsourcing abroad, a procurement behaviour that presupposes real operational requirements.	Supports, with the reservation in section 8.4

Sources: KPMG Cyprus technology sector assessment, 2026; Eurostat isoc_sks_itspt; CYSTAT national accounts; Central Bank of Cyprus external sector statistics; primary research for this study.

Why this does not overturn Chapter 5

The proposition is correct, and it is answering a different question from the one Chapter 5 asks. Conflating the two is the most common error in Cypriot commentary on this subject, in both directions, so it is worth separating them precisely.

Question	Answer	Evidence
Do the technology companies located in Cyprus perform real economic activity here?	Yes. Substantially.	Employment, gross value added, service export composition, procurement behaviour
Is the headline foreign investment position a measure of that activity?	No. Roughly 80% of inward FDI stock is special purpose entities, and net FDI income was minus €3.43bn in 2024.	Central Bank of Cyprus, SPE-adjusted series

Source: our analysis.

> THE RECONCILIATION **Real operating activity and large-scale conduit activity are both present in Cyprus, in different parts of the statistics, and neither disproves the other. The technology companies employ people and produce output; the foreign investment position is dominated by entities that do neither. A report that cites the €373.62bn headline FDI stock as evidence of a thriving technology sector is wrong. So is a report that cites the special purpose entity share as evidence that the technology sector is a fiction. This study holds both findings simultaneously because the data require it.**

Two qualifications keep the proposition honest. First, “real activity” and “rooted activity” are not the same claim, and section 8.5 is about the second. A company can employ four hundred engineers in Limassol, export genuinely, and still relocate within eighteen months if the tax differential moves: real activity is a statement about what is happening now, not about what survives a change in the incentive structure. Second, the retention question in section 5.5 is untouched by any of this. Real production and repatriated profit are entirely compatible; net FDI income of minus 9.9% of GDP describes what leaves, not whether the work was done.

There is also a measurement consequence that runs in the government's favour. If the activity is real, then the export series is the better indicator of the sector's health than the investment position, and the export series is the one this report has been unable to reconcile. Recorded ICT service exports exceed recorded ICT production value by more than twofold, an anomaly Chapter 3 records as unresolved and this report carries as an open data gap. The Deputy Ministry's proposition raises the value of resolving it: if exports genuinely measure operating output, the discrepancy is a statistical artefact worth eliminating, and if they do not, the proposition needs qualifying. Either way the gap is now load-bearing rather than technical.

> *"[…] the balance of exports and imports that the Central Bank publishes shows that ICT exports shot up from '19 to '25 […] not so much telecommunications, in fact much less telecommunications, and more software, information technology […] Because many companies are precisely creating services and products here and exporting them."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

8.7 The second-phase question

The relocation strategy has done what it was designed to do. The strategic question for 2026–30 is not whether to continue it but what to attach to it. University of Nicosia analysis frames this as entering a second phase: incentives for local procurement, joint research projects with Cypriot universities, corporate laboratories, training programmes for Cypriot workers and mechanisms connecting multinationals with domestic SMEs. We endorse that framing, and Chapter 23 sets out specific instruments.

The competitive pressure argues for urgency. Under Pillar Two the tax differential that anchored the original proposition is compressing across the EU, while the United Arab Emirates offers 9% corporate tax outside the EU and Greece, Malta and Portugal compete actively within it. As the tax lever weakens, Cyprus's proposition must rest increasingly on talent access, connectivity, regulatory speed and cost of living, which is precisely why the housing and energy findings in Chapter 13 are strategic rather than merely social.

9. Cyprus in the European Digital Economy

9.1 A methodological warning about comparators

Cyprus is routinely benchmarked against Ireland, Luxembourg and Malta. Two of those three comparisons are contaminated unless the adjustment set out in Chapter 5 is applied consistently. Ireland and Luxembourg have larger special purpose entity distortions than Cyprus. Eurostat itself notes that Ireland's ICT share of gross value added (30.9% in 2023; 34.78% in 2022) is "three times higher than the second highest country" and reflects its role as a domicile for multinational technology groups.

> **Comparing Cyprus's ICT output share with Ireland's without adjustment is precisely the error this report exists to correct. Ireland is not a benchmark for Cyprus; it is a more extreme instance of the same measurement problem.**

This report therefore groups comparators into three classes and never mixes them: Class A structural peers (Malta, Estonia, Lithuania, Latvia, Slovenia, Portugal, Greece); Class B domicile economies (Ireland, Luxembourg), comparable to Cyprus on the domicile dimension but not like-for-like with anyone on output; and Class C strategic references (Israel, Singapore, UAE), used for strategy and never for statistical ranking.

9.2 The comparator table

Country	ICT % of GVA	Yr	ICT % bus. econ. VA	ICT emp. % total	AI adoption %	R&D % GDP
Cyprus	12.5	2025	15.2 (2022)	n/a	9.27	0.65
Ireland (Class B)	30.9	2023	40.8 (2022)	7.1 (2022)	20.0	n/a
Luxembourg (Class B)	n/a	n/a	n/a	n/a	33.61	0.99
Malta	11.7	2023	13.4 (2022)	n/a	n/a	0.51
Estonia	n/a	n/a	n/a	7.3 (2022)	n/a	n/a
Bulgaria	8.1	2023	11.4 (2022)	n/a	8.55	0.77
Latvia	6.6	2023	n/a	n/a	n/a	0.92
Portugal	n/a	n/a	n/a	3.7 (2022)	n/a	n/a
Greece	3.2	2023	n/a	2.6 (2022)	8.93	n/a
Italy	3.1	2023	n/a	n/a	n/a	n/a
Denmark	n/a	n/a	n/a	n/a	42.03	3.01
Finland	n/a	n/a	n/a	6.4 (2022)	37.82	3.22
Sweden	n/a	n/a	n/a	n/a	35.04	3.57
Romania	n/a	n/a	n/a	n/a	5.21	0.46
EU-27 average	**5.7**	**2023**	**n/a**	**3.3 (2022)**	**19.95**	**2.24**

Sources: Eurostat isoc_bde15ag; Eurostat isoc_eb_ai (2025); Eurostat R&D expenditure (2024 provisional); KPMG Cyprus 2026 for the Cyprus 2025 figure. Blanks are data Eurostat marks confidential, does not publish, or that were not available: they are shown as blanks rather than filled by inference.

9.3 A ranking claim that does not reconcile

KPMG Cyprus places Cyprus third in the European Union for ICT contribution to the economy at 12.5% of gross value added. On the retrieved Eurostat series, Ireland leads at 30.9% and the highest non-Ireland figure is Malta at 11.7%. If Cyprus is at 12.5% and Malta at 11.7%, Cyprus is second, not third.

Either a third country not in the retrieved data exceeds Cyprus, or Malta has since risen above 12.5%, or the ranking uses a different reference year or definition. This report has not been able to reconcile

the claim with Eurostat's isoc_bde15ag series. A further complication compounds it: Eurostat marks Cyprus ICT sector aggregate data as confidential in several reference years, so any Cyprus-versus-EU ICT ranking rests on a partially incomplete series.

Status: Contested. This report does not repeat the "third in the EU" claim as fact.

9.4 Against the "behind Europe" characterisation

Cyprus is routinely described in domestic commentary as lagging the European Union digitally. Senior stakeholder evidence gathered for this study challenges that characterisation, arguing that weaknesses are concentrated in specific areas while parts of the economy already demonstrate high technology consumption and maturity. The comparator evidence in this chapter supports that view, and the table below resolves the question dimension by dimension rather than in aggregate.

> *"We are not where we want to be in some areas, such as AI [...]. In AI specifically we are low as regards uptake by small and medium-sized enterprises. But, again, the digitalisation of the economy is progressing significantly."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Dimension	Cyprus vs EU	Verdict
Gigabit and 5G coverage	100% 5G (first in EU); FTTP 77.1% vs EU 64%	Leads
SME basic digital intensity	74.35% vs EU 71.39%	Ahead
Female share of ICT specialists	23.7% vs EU 19.5%	Ahead
ICT contribution to the economy	12.5% of GVA vs EU 5.7%	Leads
ICT specialists as % of employment	5.0% vs EU 5.0%	At the average
Enterprise ICT training provision	28% vs EU 22%	Ahead
Cloud adoption	Mid-range; not among EU highest or lowest	Approaching the average
Digital public services	UN EGDI 38th of 193; Open Data 95%, trend-setters cluster; 5th–6th of 36 assessed, tied with Portugal	Mixed: around the average
Population basic digital skills	49.5% vs EU 55.6%	Behind
ICT graduates	2.8% vs EU 4.2%	Behind
Enterprise AI adoption	9.27% vs EU 19.95%	Materially behind
R&D intensity	0.65% of GDP vs EU 2.24%	Materially behind

INTERPRETIVE FINDING **On twelve measurable dimensions Cyprus leads or exceeds the EU average on five, sits at or near it on three, and falls behind on four. The characterisation of Cyprus as generally behind Europe is not supported. The accurate statement is narrower and more actionable: Cyprus lags specifically on advanced technology adoption, research intensity and the human capital that feeds both.**

This precision matters for policy design. A general digitalisation deficit would justify broad intervention. A concentrated deficit in three linked areas, all of which run through specialist skills, justifies concentrated intervention, and Chapter 23 frames its recommendations accordingly.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister holds that the perception of Cyprus as a digital laggard does not hold. He cites progress on business digital maturity, public-sector digitalisation and international indices, including the World Bank's GovTech maturity index and the Global Innovation Index. He concedes that Cyprus is not where it wants to be on AI, where uptake by small and medium-sized enterprises remains low.**

9.5 What the comparison shows

Stripping out the Class B distortion, three findings hold firmly.

Cyprus is a genuine top-two or top-three EU ICT economy on output share among countries reporting comparable data. At 12.5% against an EU average of 5.7%, Cyprus is more than double the Union average and materially ahead of Bulgaria and Latvia. Malta is the true peer, and the achievement is real.

On enterprise technology adoption, Cyprus sits with the Union's laggards. At 9.27% AI adoption its company is Greece, Bulgaria, Poland and Romania, economies with ICT sectors a fraction of Cyprus's relative size. No other EU member state combines a top-tier ICT output share with bottom-tier enterprise AI adoption. Cyprus is structurally unusual in the Union, and this is the specific respect in which it is unusual.

On research intensity, Cyprus sits in the EU's bottom three. At 0.65% of GDP, only Romania (0.46%) and Malta (0.51%) are lower. Notably, Malta shares both of Cyprus's characteristics (high ICT output share, near-lowest research intensity), which suggests this is a structural feature of small EU domicile economies with relocated technology sectors rather than a Cyprus-specific policy failure. That reframing matters: it means the remedy is structural too.

Where Cyprus genuinely leads its peers is ecosystem momentum. Cyprus has been recognised as the fastest-growing startup ecosystem in the European Union for three consecutive years in the StartupBlink Global Startup Ecosystem Index, with the ecosystem having grown roughly fivefold since 2020, a Global Innovation Index rank of 25th globally (improved from 27th in 2024) and four unicorns, up from three. Estonia remains the per-capita benchmark for startups, unicorns and investment across Europe; Tallinn ranks third globally for early-stage venture capital per capita, a standard Cyprus is not close to, though the growth-rate comparison favours Cyprus.

> *"The strongest index anyone can look at is the Global Innovation Index, the GII. We have year-on-year progress. We are two places up on the last one, 25th globally. So this is very important for a small market."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

9.6 Digital Decade assessment

Cyprus's national Digital Decade roadmap comprises 62 measures with a total budget of €0.98bn, equivalent to 2.96% of GDP. The European Commission's 2026 country report assesses Cyprus as having "a strong foundation for its digital transition," citing extensive gigabit coverage, three-quarters of SMEs at basic digital readiness, well-advanced cloud and data analytics uptake, a narrowing skills gap, a dynamic startup ecosystem and ICT specialists around the EU average. Its single substantive negative is AI.

Digital Decade area	Cyprus position	Commission recommendation
Gigabit and 5G connectivity	Fully achieved 2024; extensive rural coverage	(assessed positive)

Digital Decade area	Cyprus position	Commission recommendation
Cybersecurity	Awareness actively promoted; enterprise support measures	Strengthen resilience, especially critical infrastructure
Submarine cable security	Active participant	Build technological leadership; join EU cable security strategy
Enterprise AI adoption	Low; new strategy and AI Factory Antenna in place	Swiftly turn strategy into concrete business adoption measures
Basic digital skills	Progressing; disparities by education and age persist	Strengthen targeted initiatives for groups most in need
ICT specialists	Matches EU average; ICT study access expanded	Strengthen targeted inclusive skills development
Digital public services	Advancing; AI chatbot launched	Accelerate implementation; prioritise inclusive and cross-border access
e-Health	Records online; national mobile app under development	Fast-track mobile app delivery

Source: European Commission, Cyprus 2026 Digital Decade Country Report, 17 June 2026.

Cyprus is on track or ahead on infrastructure and ecosystem targets, converging on skills, and at material risk on AI. The targets most likely to be missed by 2030 are enterprise AI adoption, where the current gap is more than ten percentage points and widening, and basic digital skills among the over-55 population, where the 2023 figure of 18.4% is far from any plausible trajectory to the EU target.

9.7 Cloud and data analytics in comparative perspective

Cloud adoption is the dimension on which Cyprus's position is most often asserted and least often evidenced. Eurostat's 2025 survey establishes the European frame precisely.

Indicator	Value	Year
EU enterprises using paid cloud computing services	52.7%	2025
change vs 2023	+7.4 percentage points	2023–25
comparison with 2014	17.8%	2014
Highest: Finland / Italy / Malta	79.2% / 75.6% / 74.9%	2025
Lowest: Romania / Greece / Bulgaria	24.9% / 24.3% / 17.8%	2025
Largest increases 2023–25: Lithuania / Italy / France	+19.7 / +14.2 / +13.7 pp	2023–25
EU enterprises performing data analytics (own staff or external)	39.85%	2025
Highest data analytics: Denmark / Estonia / Netherlands	60.0% / 56.0% / 56.0%	2025
EU enterprises with fixed connections above 1 Gb/s	17.29%	2025

Source: Eurostat, isoc_cicce_use and isoc_eb_das, 2025 EU survey on ICT usage and e-commerce in enterprises (157,000 of 1.53 million EU enterprises surveyed).

Cyprus does not appear among either the highest or the lowest ranked countries on cloud adoption in the 2025 release, which places it in the mid-range, consistent with the European Commission's characterisation of Cypriot uptake of cloud and data analytics as "well advanced." This matters analytically because it isolates the AI finding. Cyprus is mid-range on cloud, above average on SME basic digital intensity, and fifth from bottom on AI. The weakness is specific, not general.

Data gap: the precise Cyprus percentages for cloud adoption and data analytics are not available in the published Eurostat tables and this assessment rests on Cyprus's absence from the published extremes plus the Commission's qualitative characterisation. Two scorecard rows in Chapter 21 therefore carry qualitative rather than numerical evidence.

Malta, Cyprus's closest structural peer, ranks third in the EU for enterprise cloud adoption at 74.9%. On the evidence available, Cyprus does not. Where two small EU domicile economies with similar ICT output profiles diverge this sharply on a measurable adoption indicator, the difference is unlikely to be structural and is more probably a matter of enterprise support policy.

9.8 The perception gap, tested

Senior stakeholders interviewed for this study, from different institutions and on different subjects, independently raised the same complaint: that Cyprus is habitually described as digitally behind, including by Cypriots, and that the description is increasingly out of date. National Chief Scientist Demetris Skourides resists the characterisation of Cyprus as generally behind Europe. The Deputy Ministry goes further, describing a perception that Cyprus lags in almost everything digital and arguing that it is outdated.

> *"So the perception people often have, that Cyprus is the laggard in everything to do with digitalisation, does not hold. It does not hold, and the government is making sure, through the framework I am describing, the economy, the business-friendly environment, digitalisation, the whole framework, that this becomes a reality."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Senior **sources converge on the proposition that Cyprus's measured digital position is better than its perceived one. Convergence of this kind is the strongest form of qualitative evidence available to this study, and the report treats it as a proposition to test rather than as a finding to adopt.**

Table 9.8: Perceived lag against measured position

Measure	Cyprus	Comparator	Standing
Open Data Maturity, 2025 (European Commission / data.europa.eu)	95%, trend-setters cluster	EU27 average 86%; 36 countries assessed	Top band. Tied with Portugal in fifth–sixth position, having entered the top ten in 2025 from 94% in 2024. Full marks on open data governance in both years.
GovTech Maturity Index, 2025 (World Bank)	Group A	197 economies assessed; Group A holds 80 of them	Highest of four groups, up from Group B on a 2022 score of 0.72. The index publishes no ranking.
5G population coverage	100%	First in the EU	Leads
Enterprise digital intensity: breadth (at least basic, SMEs, 2025)	74.35%	EU 71.39%	11th of 27. Above average.
Enterprise digital intensity: depth (high or very high, SMEs, 2025)	36.79%	EU 36.24%	14th of 27. At the average.
Enterprise digital intensity: leading edge (very high only, SMEs, 2025)	6.87%	EU 9.07%	20th of 27. Materially below average.
Enterprise AI adoption, 2025	9.27%	EU 19.95%	Fifth from bottom. Less than half the EU rate.

Measure	Cyprus	Comparator	Standing
R&D intensity, 2024	0.65% of GDP	EU 2.24%	Third lowest in the Union.

Sources: data.europa.eu Open Data Maturity 2025; World Bank GovTech Maturity Index 2025 Update; Eurostat isoc_e_dii (Digital Intensity Index version 3, reference year 2025) and Digital Decade country annex for Cyprus; Eurostat AI use in enterprises; Eurostat R&D statistics.

Two methodological cautions. The Digital Intensity Index changed composite between vintages: reference year 2025 uses version 3 and 2024 uses version 4, and the two are not comparable, so no year-on-year DII movement is reported here. On the 2024 version 4 series Cyprus stood 8th on at-least-basic intensity, which is the basis on which a "top ten" characterisation is defensible; on the latest published series it is 11th. Separately, the World Bank's Group A contains 80 of 197 economies, so membership indicates a high standard met rather than an elite position.

The pattern is consistent enough to state as a rule. Where a measure captures whether a capability exists, Cyprus performs at or above the European average and in several cases leads. Where a measure captures how deeply that capability has been exploited, Cyprus falls to the bottom quartile. Open data governance: full marks. Very high digital intensity: 20th of 27. Connectivity: first. AI adoption: fifth from bottom. Government technology maturity: highest group. Research intensity: third lowest.

> SIGNATURE INSIGHT **The perception of Cypriot digital backwardness is wrong, and correcting it does not produce the reassuring conclusion its critics expect. Cyprus is not behind on infrastructure, government digitalisation, open data or basic enterprise adoption: it is at or near the front on all four. It is behind on depth: the share of enterprises operating at very high digital intensity, the rate of AI adoption, and the research base that would generate the next capability. Cyprus has built the platform and is not yet using it. That is a harder problem than being behind, because there is nothing left to procure.**

This reframing has a practical consequence for how Cyprus argues its case internationally. Foundation indicators are the ones most often cited in investment promotion, and Cyprus does well on them; they are also the ones a sophisticated investor discounts, because infrastructure is purchasable and every competing jurisdiction is buying it. The differentiating indicators are the depth measures, and those are where the honest pitch is currently weakest. Chapter 17 returns to this.

10. ICT Demand by Industry Vertical

This chapter decomposes the €1.70bn central market estimate across twenty customer verticals. Each is sized against its own gross value added base using a vertical-specific IT intensity assumption. As with the aggregate model, these are model-generated estimates with published methodology, not statistics.

10.1 The vertical map

Vertical	Est. spend (€m)	Share	Maturity	Direction
Professional, scientific & technical	167	9.8%	Medium-high	Growing
Telecom operators	160	9.4%	High	Flat
Wholesale & retail trade	159	9.3%	Medium	Growing
Central government & public admin	152	8.9%	Medium	Growing strongly
Banking	135	7.9%	High	Growing strongly
ICT services & software firms	118	7.0%	High	Growing
Investment firms, CIFs & forex	93	5.5%	High	Growing strongly
Transport, storage & shipping	91	5.4%	Medium	Growing
Healthcare (GESY & providers)	72	4.2%	Low-medium	Growing
Gaming & digital platforms	70	4.1%	High	Growing
Administrative & support services	67	3.9%	Medium	Growing
Real estate	61	3.6%	Low	Flat
Insurance	58	3.4%	Medium-high	Growing strongly
Tourism, accommodation & food	58	3.4%	Low-medium	Growing
Manufacturing	56	3.3%	Low-medium	Flat
Education	52	3.1%	Medium	Growing
Construction	41	2.4%	Low	Flat
Fintech & payments	35	2.1%	High	Growing strongly
Arts, recreation & other	28	1.6%	Low	Flat
Energy & utilities	28	1.6%	Medium	Growing
TOTAL	**1,701**	**100%**	**n/a**	**n/a**

Source: our model, reference year 2025. Vertical gross value added bases estimated from CYSTAT sector accounts; IT intensity assumptions benchmarked to Gartner, Avasant and IDC industry ranges and adjusted for Cyprus adoption levels.

10.2 What the vertical map shows

Three observations follow directly and none is obvious from the headline sector data.

Financial services in aggregate is the largest vertical block. Banking, investment firms, insurance and fintech together represent €321m, or 18.9% of the market, larger than any single vertical. It is also the fastest-growing block, driven by DORA and NIS2 rather than by discretionary transformation.

Government is the largest single institutional buyer. At €152m for central government alone, rising to €276m with health and education, the public sector is simultaneously the market's biggest single opportunity and, through procurement friction, one of its principal bottlenecks. Chapter 15 develops this.

The verticals that dominate the Cypriot economy are not the ones that buy technology. Tourism, construction and real estate together generate roughly €6.8bn of gross value added, a third of the non-financial business economy, but only €160m of ICT spend, under 10% of the market. This is

the structural reason Cyprus's domestic ICT market is small relative to its economy, and it will not change quickly.

Which verticals the policy view identifies, and why this report cannot rank them officially

Deputy Minister Nicodemos Damianou identifies six areas of notable technology activity: gaming and gaming technology, described as showing exceptional momentum; fintech, historically the principal draw for international technology companies; regtech, tied to the same financial services base; software development generally; business-to-business software; and healthtech, where activity is described as increasing from a low base.

> *"[...] in gaming, certainly, it seems we have incredible momentum. Gaming tech and so on. FinTech and RegTech were perhaps traditionally the first sector to attract foreign companies, and the activity there is very large and intense. But software development, B2B software, and now we are also seeing a fair amount of HealthTech, are also areas where we see significant activity."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

More useful than the list is the admission attached to it. The Deputy Ministry reports difficulty obtaining sufficiently granular official data on individual technology verticals, the same gap this report encountered in constructing the vertical map above, and the reason that map is modelled from gross value added bases and intensity benchmarks rather than measured.

WHY THIS STUDY EXISTS **When the ministry responsible for technology policy cannot obtain vertical-level data on its own technology sector, the gap is structural rather than a matter of research effort. Official statistics establish that Cyprus ICT is growing and by how much. They do not establish what it is composed of. That composition can currently be approached only through primary research, which is the specific contribution this report makes and the reason its vertical estimates are published with their methodology rather than as findings.**

The policy list and this report's modelled ranking agree on the leading positions and diverge informatively at the margin. Both put financial services and the gaming and digital platform cluster near the top, and both identify software development as the dominant delivery mode rather than a vertical in itself. The divergence is healthtech: policy evidence reports increasing activity, while this report's demand model places health within the smaller institutional block and section 10.7 finds the sector's cybersecurity preparedness the weakest of any vertical. Both can hold: a sector can attract new technology suppliers while remaining structurally unprepared, and healthtech growth against a weak incumbent estate is a plausible description of the same situation viewed from the supply and demand sides.

10.3 Supply-side corroboration of the vertical structure

The vertical hierarchy above is modelled from gross value added bases and IT intensity benchmarks. Primary research allows it to be tested against what ICT providers actually earn, and the two converge.

Customer sector	Vendors reporting revenue in the sector	Mean share of revenue among those reporting	Modelled rank in this chapter
Banking and finance	Most vendors	42.5%	1st block (€321m with insurance and fintech)

Customer sector	Vendors reporting revenue in the sector	Mean share of revenue among those reporting	Modelled rank in this chapter
Professional services	Over half	30.5%	1st single vertical (€167m)
Government	Most	22.5%	Largest single institutional buyer (€152m)
Retail and wholesale	Over half	11.8%	3rd single vertical (€159m)
Manufacturing	Minority	10.0%	Low (€56m)
Education	Over half	7.3%	Low (€52m)
Telecommunications	Majority	6.6%	High modelled spend, largely self-supplied
Tourism and hospitality	Under half	3.3%	Low (€58m)
Healthcare	Over half	2.8%	Low (€72m)
Construction	Under half	2.7%	Low (€41m)

Source: IMR/University of Nicosia, Cyprus ICT Vendor Survey, 2026. Vendor findings are directional. Means are calculated across vendors reporting a non-zero figure and are not weighted by vendor size, directional evidence only.

> CONVERGENT EVIDENCE **Two entirely separate methods (demand-side modelling from sector value added, and supply-side revenue reported by ICT providers) produce the same vertical hierarchy: finance, professional services and government at the top; tourism, construction and healthcare at the bottom. This materially strengthens confidence in both.**

The bottom of the table matters as much as the top. Tourism, construction and healthcare are substantial parts of the Cypriot economy and negligible parts of the ICT revenue base. This report attributes that to sectoral composition rather than to firm-level failure (these are structurally low IT-intensity industries), and the supply side confirms the pattern from the opposite direction. It also confirms why the domestic ICT market is small relative to the economy, and why no adoption programme can fully overcome it.

One divergence is worth noting. Telecommunications generates a substantial modelled ICT spend but appears at only 6.6% of vendor revenue, because operators self-supply most of their technology requirement and buy from international vendors rather than from the domestic services layer. Modelled market size and addressable opportunity are not the same quantity, and telecommunications is the clearest example in this report.

10.4 Vertical profiles

Banking and financial services

The highest-intensity vertical in any economy, and in Cyprus additionally shaped by an unusually large investment-firm population. DORA became fully applicable in January 2025 and enters its first genuine supervisory enforcement cycle in 2026, with regulators signalling action on incident-reporting failures and deficiencies in the Register of Information. Spending priorities are ICT risk management, third-party risk, incident reporting, and testing. Approximately 40% of DORA entities also fall within NIS2 scope, and because DORA operates as lex specialis, firms in scope for both must map each obligation separately: compliance with one does not satisfy the other. Cloud adoption is proceeding but cautiously. Outsourcing behaviour favours managed services for security operations, where in-house capability is uneconomic at Cyprus institution scale.

Government and public sector

The Deputy Ministry of Research, Innovation and Digital Policy's 2026 budget is €172.86m, up 3.2%, with development spending up 13.8% to €102.80m. In 2025 it implemented 36 digital transformation

actions under the Recovery and Resilience Plan and expected to complete more than 70 new e-government services through its digital services factory, including social insurance applications and citizen service centre appointments. A hybrid Government Cloud tender closed for bids in October 2025. Cyprus ranks 38th of 193 on the UN E-Government Development Index and fifth to sixth of 36 countries on Open Data Maturity. The constraint is not ambition or budget; it is procurement velocity and the end-2026 funding cliff.

Telecommunications

A concentrated market. Cyta held approximately 54.2% of mobile connections in 2024 and Epic 34.8%, with Cablenet and PrimeTel accounting for the remainder. Operator technology spending is shifting from radio access rollout (5G coverage having been completed) toward capacity layering, network slicing, fibre expansion and data centre capacity. Epic secured €19m from the European Investment Bank for 1,600km of fibre; Cyta deployed a €19m Netcracker programme and is building what will be the largest privately owned data centre in Cyprus, with phase one entering commercial operation in early 2027.

Contested: one industry source reports a PrimeTel market exit in 2023, while consumer-facing sources list PrimeTel as an active retail provider in 2026. This report has not been able to confirm the position from OCECPR filings.

Shipping and maritime

Cyprus is one of the world's largest ship management centres, and the Limassol cluster is the densest concentration of maritime expertise in the eastern Mediterranean. Technology demand is driven by fleet management systems, regulatory and emissions reporting, crew management and increasingly by port and logistics digitalisation. The vertical is under-served relative to its economic weight and represents one of the clearer domestic opportunities for Cypriot software firms, because maritime software requires domain knowledge that international vendors cannot easily replicate and that Limassol has in depth.

Tourism and hospitality

Record performance (more than 4.5 million arrivals and approximately €3.7bn revenue in 2025) has not translated into proportionate technology investment. Estimated ICT spend of €58m against €2.03bn of sector gross value added reflects an intensity of roughly 2.9%, among the lowest in the market. Spending concentrates in property management systems, channel management, payments and increasingly revenue management. The strategic argument, made forcefully by University of Nicosia analysis, is that Cyprus needs tourism with higher spend per visitor rather than more visitors, a shift that would require materially more technology investment than the sector currently makes.

Gaming, forex and digital platforms

An unusually significant vertical for an economy of this size, concentrated in Limassol and closely linked to the investment firm population. High technology intensity, high security requirements, high regulatory exposure through CySEC, and a workforce competing at international salary levels. Roughly 60% of Cyprus AI job postings reportedly originate in fintech, with two-thirds located in Limassol. This vertical is largely part of the export economy described in Chapter 4: it operates from Cyprus and sells elsewhere.

Healthcare, education and energy

Healthcare technology spending is driven by GESY and the provider network, with e-health records accessible through an online portal but a national mobile health application still under development, a gap the European Commission has recommended fast-tracking. Education spending includes €13.8m allocated to digital transformation of school units with a STEM focus. Energy and utilities show medium maturity but the highest strategic salience, because Cyprus's electricity prices, second highest in the EU for non-household consumers in the second half of 2025, make grid, storage and efficiency technology directly relevant to national competitiveness, and because the Great Sea Interconnector is the largest single infrastructure variable in the country's medium-term outlook.

10.5 Extended vertical profiles

Shipping and maritime: the most under-exploited domestic opportunity

Cyprus shipping contributed approximately €1.9bn to the economy in 2025, with shipmanagement revenues reaching €978m in the first half of 2025 alone, equivalent to 5.5% of semi-annual GDP measured as turnover, comfortably above the €950m mark and well ahead of the 2019–21 average. Cyprus Shipping Chamber members own, manage or operate approximately 2,900 ocean-going vessels totalling 161 million gross tonnes.

The sector is in an active growth phase. Tonnage under the Cyprus flag rose 20% over the two years to 2025, the highest level in two decades; companies registered under the tonnage tax system rose 15%; and the ship-management sector's contribution to GDP rose 27%. The Shipping Deputy Ministry began digitalising its own services in October 2025.

Technology demand is driven by fleet and crew management systems, emissions and regulatory reporting under the IMO decarbonisation framework, port and terminal operations, and increasingly by data-sharing between ports, registries and operators to support faster inspection regimes. Onshore power supply at Limassol port and cruise terminal investment add a further layer.

> **Limassol holds a density of maritime domain expertise that international software vendors cannot easily replicate, in a vertical facing mandatory regulatory digitalisation. On our estimates it generates roughly €91m of ICT spend against €1.9bn of economic contribution, an intensity well below what the regulatory trajectory implies. This is the clearest under-served domestic vertical in the Cyprus market.**

Financial services: the compliance engine

Cyprus has licensed more investment firms than any other EU jurisdiction: several hundred retail brokers, proprietary trading firms, asset managers and wealth managers operate under a Cyprus Investment Firm licence, attracted by an English-language authorisation procedure, a pragmatic supervisor and MiFID II passporting into thirty markets. CySEC is also one of a small group of European supervisors authorising both MiFID investment firms and MiCA crypto-asset service providers.

DORA has applied since 17 January 2025, and CySEC has issued specific guidance, Circular C700, requiring CIFs to maintain an ICT risk framework, incident reporting and regular digital resilience testing. For a population of several hundred firms, many of them small by European standards, this is a substantial and non-discretionary technology obligation. It is the single largest identifiable driver of ICT spending growth in the Cyprus domestic market over 2026–27.

Government: largest buyer, slowest cycle

The Deputy Ministry implemented 36 digital transformation actions under the Recovery and Resilience Plan during 2025 and expected to complete more than 70 new e-government services through its digital services factory, including social insurance applications and citizen service centre appointments. Its 2026 budget is €172.86m, with development spending up 13.8% to €102.80m. Cyprus ranks 38th of 193 on the UN E-Government Development Index and fifth to sixth of 36 countries on Open Data Maturity, and an AI-powered chatbot has been launched to streamline access to services.

Against this, the European Commission recommends accelerating implementation and improving cross-border service provision, e-health remains incomplete pending a national mobile application, and the G-Cloud award has not been publicly confirmed. The pattern is of a well-funded, ambitious buyer constrained by delivery velocity rather than intent.

Tourism: record volume, minimal technology intensity

More than 4.5 million arrivals and approximately €3.7bn revenue in 2025, against an estimated €58m of ICT spend, an implied intensity of roughly 2.9%, among the lowest in the market. Spending concentrates in property management, channel management, payments and revenue management systems. The strategic argument, advanced by University of Nicosia analysis, is that Cyprus needs higher spend per visitor, a longer season and stronger links to local products, culture, health, education and conferences rather than more arrivals, a shift that would require materially greater technology investment than the sector currently makes. On present trajectory this vertical will continue to under-buy relative to its economic weight.

Healthcare and education

Healthcare technology demand is driven by GESY and its provider network. E-health records are accessible through an online portal, but a national mobile health application remains under development and the Commission has recommended fast-tracking it. Education spending includes €13.8m allocated specifically to the digital transformation of school units with a STEM focus, within a €24m digital skills envelope targeting 20,000 individuals. Both verticals are medium-maturity, publicly funded and therefore procurement-cycle dependent.

Energy and utilities

The smallest vertical by spend at approximately €28m, and the highest in strategic salience. Cyprus recorded the EU's second-highest non-household electricity prices in the second half of 2025, behind only Ireland, and remains energy-isolated and dependent on imported fossil fuels. Grid management, storage, demand response and efficiency technology are therefore directly relevant to national competitiveness rather than merely to utility operations. The Great Sea Interconnector is the largest single infrastructure variable in Cyprus's medium-term outlook, and its delivery or delay materially affects both the data centre proposition in Chapter 12 and the industrial cost base described in Chapter 19.

10.6 An independent read on the vertical map: where the incidents fall

Every vertical figure in this chapter is a spending figure, modelled from gross value added and intensity benchmarks and corroborated against what providers earn. Spending describes where the market is. It does not describe where the risk is, and for a report published into a compliance deadline that distinction matters. National incident data supply the missing axis.

The national computer security incident response team handled more than 500 reported incidents during 2024, and the sectoral distribution of those incidents is published.

Table 10.6: Reported cyber incidents by sector against modelled ICT spend, 2024–25

Sector	Share of reported incidents, 2024	Modelled ICT spend rank (this chapter)	Reading
Finance	24%	1st: €321m financial services block	Highest spend and highest incident share. Exposure is proportionate to scale, and the regulatory response (DORA) is the most advanced of any vertical.
Telecommunications	19%	3rd: operator technology spend	Incident share materially above spend share. A concentrated market of few, large, systemically important operators, economically regulated and cyber-supervised by the same Commissioner (Chapter 15).
Energy	14%	Smallest vertical at approximately €28m	The sharpest divergence in the table: the lowest spend of any profiled vertical and the third-highest incident share.
All other sectors	43%	n/a	Distributed across the remaining verticals, none individually above the three named.

Sources: Commissioner of Communications, Digital Security Authority, 2025 (incident data); vertical spend estimates, our analysis, Chapter 10. Incident shares are of reported incidents handled by the national CSIRT and are not a measure of total incidents, since reporting is incomplete outside regulated sectors.

The energy line is the finding. Energy is the smallest vertical in this report's spending model at approximately €28m, and it carries the third-largest share of reported national incidents. This chapter has already identified energy as the vertical with the widest gap between strategic salience and technology investment; the incident data convert that from an argument into a measurement. An energy system that is islanded, has no interconnection, and is accumulating distributed renewable generation and metering endpoints is expanding its attack surface considerably faster than its security budget.

> SIGNATURE INSIGHT **Ranked by spending, energy is the smallest ICT vertical in Cyprus. Ranked by reported cyber incidents, it is the third largest. Telecommunications shows the same pattern less acutely. The verticals where Cyprus is most exposed are not the verticals where it is spending most, and the incident data are the only published series in which that mismatch is visible.**

Interpretive caution. Reported-incident shares reflect both underlying exposure and reporting propensity, and regulated sectors report more completely than unregulated ones. The direction of that bias works against the finding rather than for it: sectors outside the regulatory perimeter are likely under-represented, which would make the concentration among regulated verticals an understatement of the wider problem rather than an artefact of it.

10.7 Healthcare: the least-prepared vertical, and why its problem is structural

Section 10.5 records healthcare technology demand as driven by the national health system and its provider network, with electronic records accessible online and a national mobile health application still outstanding. Commissioner of Communications Marios Pieris, interviewed for this study, identifies a further dimension that the spending view does not capture: among all sectors entering the expanded regulatory perimeter, healthcare and eHealth is assessed as facing the most significant readiness challenge.

The reason is not indifference, and this report does not characterise the sector as inactive: engagement between the supervisor and healthcare organisations is under way and preparedness work is in progress. The reason is that healthcare's core problem is an asset-life problem that no other vertical faces in the same form.

> *"A CT scanner running on Windows 95: that is a problem."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026 (translated from Greek; offered as an illustrative example of legacy medical technology)

The illustration should be read as it was offered: an example of the category, not a claim about any specific device in Cyprus. Its force is in the economics it exposes. An office computer running an unsupported operating system is replaced, because replacement costs a four-figure sum and the clinical consequence is nil. A diagnostic imaging system running an unsupported operating system is not replaced, because replacement costs a six- or seven-figure sum, requires capital approval, displaces clinical capacity during installation, and may require re-certification. The device remains in service because it works, and it works for fifteen or twenty years. Its operating system does not.

Healthcare therefore combines six risk factors that no other Cyprus vertical assembles simultaneously:

Table 10.7: Why healthcare cyber risk is structurally different

Factor	Why it compounds
Long-lived legacy technology	Clinical equipment outlives several generations of operating system, and the operating system cannot be updated independently of the device's certification.
Connected medical systems	Devices that were designed as standalone instruments now sit on networks carrying records, imaging and scheduling traffic.
Prohibitive replacement cost	Security obsolescence is not, on its own, a sufficient business case to replace a functioning capital asset.
Highly sensitive personal data	Health records attract both regulatory protection and criminal interest, raising the consequence of any single breach.
Critical service continuity	Downtime is measured in clinical harm rather than lost revenue, which removes the option of taking systems offline to remediate at leisure.
Overlapping regulatory obligations	Health is an essential-entity sector under the expanded cybersecurity regime while remaining subject to data protection and medical device regulation.

Source: our analysis, developed from supervisory evidence gathered for this study.

For providers, this defines an addressable opportunity with an unusual specification. The healthcare requirement is not primarily endpoint modernisation, because the endpoints cannot be modernised. It is network segmentation, compensating controls around devices that cannot be patched, monitoring of clinical network traffic, and documented risk acceptance for equipment that will remain in service in its current state. That is a consulting and managed-service specification rather than a product one, and it rewards providers willing to learn the clinical operating environment. Very few Cypriot providers currently hold that capability, which is what makes it defensible.

> FOR THE HEALTHCARE SECTOR **The sector cannot patch its way to compliance, because its highest-risk assets are precisely the ones that cannot be patched. Compliance for healthcare means compensating controls, segmentation and monitoring around equipment that will not be replaced this decade, and budgeting for that is a different exercise from budgeting for a technology refresh.**

11. Technology Trends Reshaping the Market

11.1 Artificial intelligence: policy is ahead of adoption, funding is behind both

9.27% of Cypriot enterprises used AI technologies in 2025 against an EU average of 19.95%. Only Greece, Bulgaria, Poland and Romania rank lower. The EU average grew 6.5 percentage points in a single year, from 13.5%, and 26 of 27 member states increased. Denmark reached 42.0%.

Before assessing adoption levels, it is worth being precise about what is being adopted. Industry participants interviewed for this study consistently resist treating artificial intelligence as a discrete technology category, describing it instead as a layer permeating every other one.

> *"AI touches everything. There is cybersecurity with AI, ERP with AI, CRM with AI: it is a technology that cuts across every area."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

This report adopts that framing, and it has a measurement consequence worth stating. If AI is horizontal rather than vertical, enterprise AI adoption statistics understate its market effect, because AI capability embedded within an ERP upgrade, a security platform or a CRM deployment is recorded as expenditure in those categories rather than as AI. The 9.27% figure below measures organisations consciously adopting AI; it does not measure AI arriving inside products they were buying anyway. Both matter, and the second is the larger channel in the near term.

> *"But we are behind the European average in the ecosystem. So it would be the area where I would like to see activity increase. We are, however, seeing a great deal of activity. We see AI being infused across the whole technology ecosystem, and many companies exploring it."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Cyprus is not merely behind on AI adoption. It is behind and the gap is widening, because the leaders are compounding from a higher base.

The policy response since early 2025 has been substantial and well-constructed. A National AI Taskforce was established in January 2025 under the Chief Scientist. The Pharos-CY AI Factory Antenna, established under the EuroHPC initiative in partnership with the Greek AI Factory, providing open-access high-performance computing powered by NVIDIA, was inaugurated in mid-2026. Cyprus committed to opening a national AI regulatory sandbox by August 2026, coinciding with the EU AI Act's high-risk obligations taking effect on 2 August 2026. An "AI in Government" programme invites businesses to co-develop public-sector solutions. Cyprus placed AI adoption among its priorities during its EU Council Presidency from January to June 2026.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister places AI at the centre of policy attention. A new national AI strategy has completed public consultation and is under evaluation, and it positions Cyprus as a trusted hub for AI solutions. He accepts that the AI ecosystem is behind the European average. On cybersecurity, he reports markedly higher business awareness and sees the wider scope of entities treated as important and critical enlarging the market.**

The financing does not match the architecture. State aid clearance for the Pharos-CY grant scheme, issued on 17 July 2026 under Article 28 of the General Block Exemption Regulation with SMEs as principal beneficiaries, covers €6 million.

Comparison	Value
Cyprus AI adoption gap to EU average	10.7 percentage points
Pharos-CY grant scheme	€6.0m
As % of annual ICT gross value added	0.15%
As % of GDP	0.017%
Singapore Enterprise Compute Initiative (comparator)	S$150m (roughly €100m): about 17x larger
Sovereign AI infrastructure funding plan	Deferred to 2028

Sources: Eurostat isoc_eb_ai; Cyprus State Aid Control Commissioner decision, 17 July 2026; Cyprus National AI Strategy; comparator per published analysis.

This is not an argument that €6m is wasted. Pharos-CY is well designed, EuroHPC-anchored and correctly targeted at the SMEs where the adoption gap sits. It is an argument that the instrument is not scaled to the gap it is meant to close, and that the deferral of sovereign AI infrastructure financing to 2028 leaves one of the strategy's central assets unfunded. The European Commission's own recommendation is precisely this: swiftly turn the new AI strategy into concrete support measures for greater AI adoption by business.

What is actually funded, and what is under consideration

The AI funding picture is more populated than the Pharos-CY allocation alone suggests, and less populated than the policy ambition implies. Senior stakeholders interviewed for this study converge on the diagnosis: National Chief Scientist Demetris Skourides identifies Cyprus as behind on AI specifically while resisting the general characterisation of digital lag; the Deputy Ministry names AI adoption by small and medium enterprises as the area where Cyprus remains weakest and confirms that Cyprus sits below the European average in the wider AI ecosystem; and the industry association has called publicly for at least €1bn over 2027–2032, explicitly asking government to separate research funding from adoption funding. Three sources with different interests, agreeing.

Table 11.1a: Cyprus AI funding instruments, status at September 2026

Instrument	Scale	What it funds	Status
Pharos-CY AI Factory Antenna	€6m: €3m Deputy Ministry, €3m Horizon Europe	Access to AI tools, curated datasets, high-performance computing and advisory services, primarily for SMEs, not cash grants	Council of Ministers decision June 2025; state aid cleared July 2026; enters force on signature; runs to March 2029
“AI in Government” flagship programme	Challenge-based; €650,000 for the public transport optimisation challenge announced December 2025	AI solutions for the public sector, open to Cypriot businesses	Open, with further challenges expected
National AI Strategy to 2032	No funding amounts specified	Framework; eight objectives including productivity through responsible AI adoption	Public consultation closed 31 August 2026; not yet adopted

Instrument	Scale	What it funds	Status
Enterprise AI adoption grants	n/a	n/a	None announced. Policy evidence for this study indicates additional AI-focused support mechanisms are under consideration.

Sources: Council of Ministers Decision 98.229; State Aid Control Commissioner; Research and Innovation Foundation; Cyprus e-Consultation platform; IMR qualitative research for this study, 2026.

THE GAP IN THE INSTRUMENT SET **Cyprus funds AI *for government* and provides AI *infrastructure and advisory access*. It does not fund AI *adoption by enterprises*, which is the specific weakness every source in this study identifies. Pharos-CY offers SMEs compute and advice; the binding constraint on a Cypriot SME at 9.27% adoption is neither. The instrument that would address the diagnosis is the one not yet in place, and the strategy that would frame it was still unadopted at the time of writing.**

Additional AI support mechanisms are recorded here as under consideration on the strength of policy evidence gathered for this study. No such scheme has been announced, and this report does not forecast one. Chapter 22 treats it as an upside signal to monitor rather than as a modelled input.

A trajectory the level figure conceals

The comparison above is accurate and incomplete. It measures the gap in percentage points at a single moment. Evidence from National Chief Scientist Demetris Skourides points to a trajectory that the level figure obscures.

> *"Since 2023, when we were at 3.2% in artificial intelligence, today we are almost at 10%."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

The end point of that statement is independently confirmed: Eurostat records Cypriot enterprise AI adoption at 9.27% in 2025. The 2023 starting figure is Skourides's and is not independently verified in this study. Taken together, however, the two points describe a near-tripling of adoption in two years, against an EU average that grew by roughly half over a comparable period, from 13.5% in 2024 to 19.95% in 2025.

Both readings are true and the report states both. In percentage-point terms the gap is widening, because the EU is adding roughly 6.5 points a year from a base twice as high. In relative terms Cyprus is growing considerably faster. A country tripling from a low base and a country growing by half from a high one can both be described accurately, and the distinction matters for forecasting: linear extrapolation of the gap will overstate divergence, while extrapolation of Cyprus's growth rate will overstate convergence.

INTERPRETIVE NUANCE **Cyprus is not a low-adoption economy standing still. It is a low-adoption economy moving quickly from a very small base. The strategic question is not whether momentum exists (it does) but whether the enabling resources exist to sustain it.**

> *"We have already started; we are just before take-off."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

The second half of the same analogy carries the more important argument, and it is the one this report tests against the quantitative evidence.

The primary research that follows substantiates that constraint precisely, and locates it.

What the primary research reveals

Official adoption statistics measure outcomes. Survey evidence measures intent, capability and sourcing behaviour, and it explains why the two diverge so sharply in Cyprus.

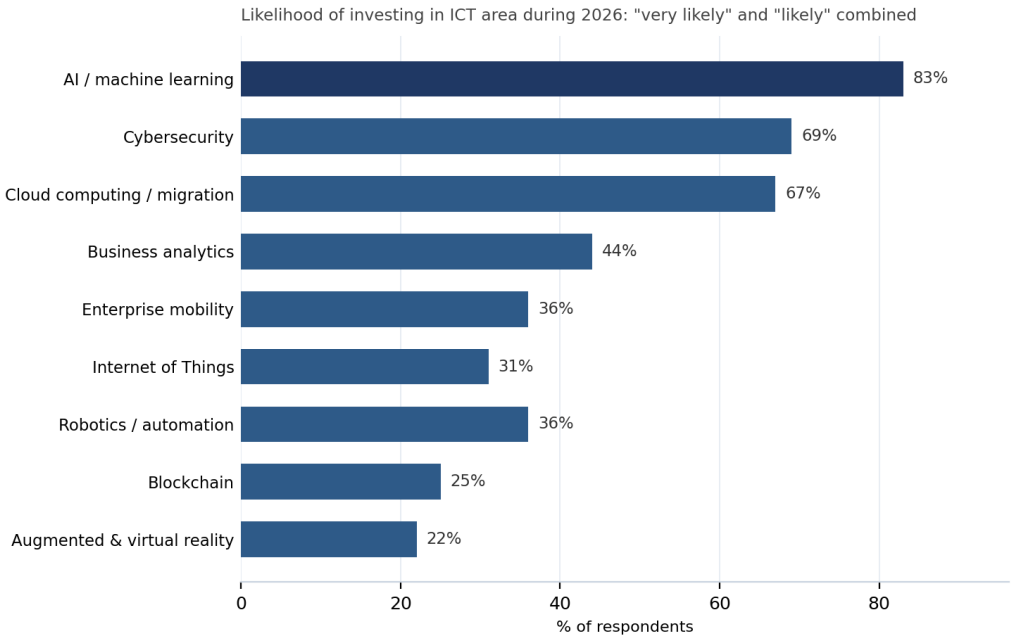


Figure 5. *AI leads Cyprus buyers' investment intent, but on softer conviction than cybersecurity. Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026. Second scale point inferred as "Likely."*

Combining committed and probable responses, 83% of end-user organisations report being likely to invest in AI during 2026, the highest intent recorded for any technology, ahead of cybersecurity at 69% and cloud at 67%. On the face of it this is irreconcilable with an official adoption rate of 9.27%.

The top-box view resolves part of the tension and should be read alongside it.

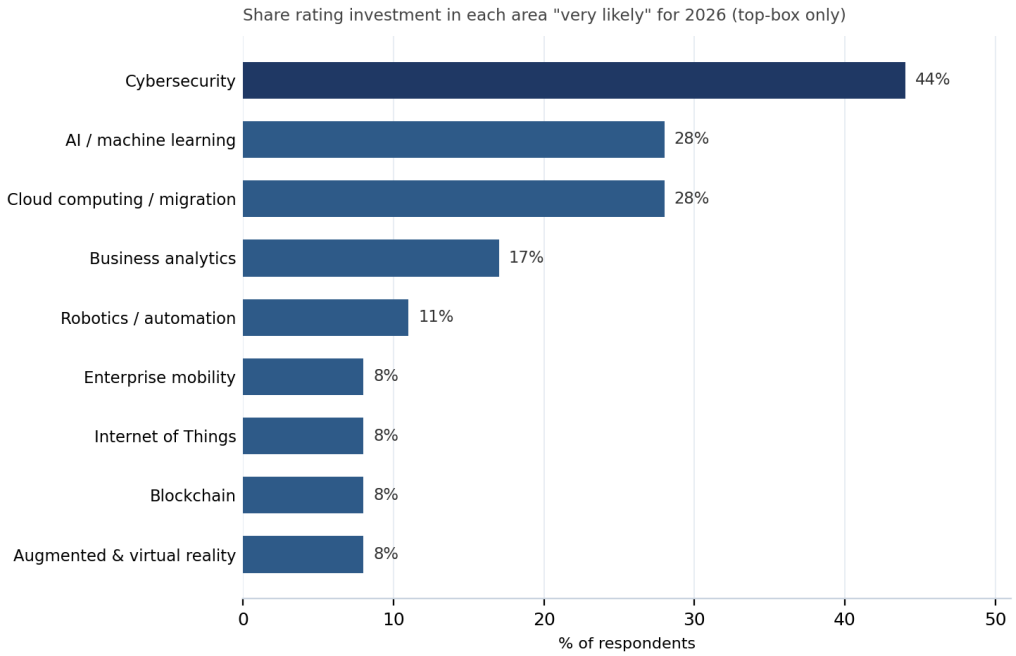


Figure 6. *On firm conviction, cybersecurity is still the clear priority.* *Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

On firm conviction, cybersecurity leads at 44% against AI at 28%. Two-thirds of AI intent therefore sits in the softer probable band rather than the committed one, whereas cybersecurity intent is concentrated at the committed end. Intent and commitment are not the same quantity, and the distinction determines how quickly each converts into contracted work.

The more important finding concerns what sits behind the intent.

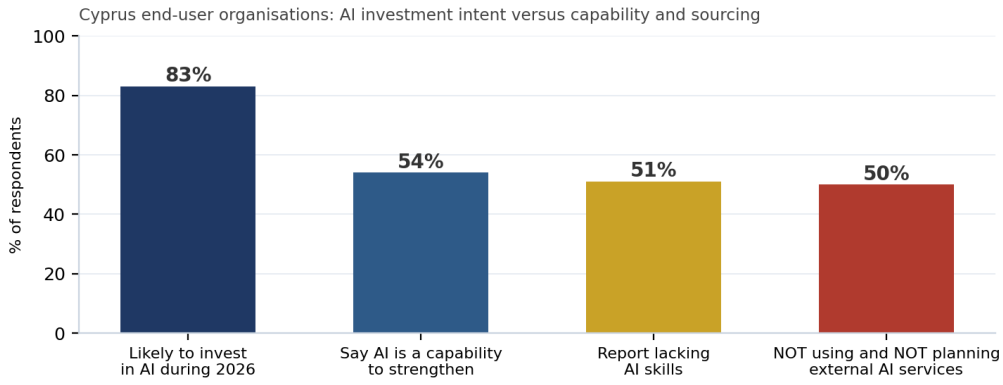


Figure 7. *AI intent is high, AI capability is not, and half of buyers have no delivery route.* *Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

Fifty-one per cent of the same organisations report lacking AI skills, the largest single skills deficit measured anywhere in the research, and 50% are neither using nor planning to use external providers for the development of custom AI solutions or the integration of off-the-shelf AI products. On the supply side, a majority of vendors rate AI investment very likely and most identify AI as their leading talent need, but fewer than a third have delivered AI solutions to clients.

> **SUPPLY–DEMAND GAP** **Intent, internal capability and external sourcing point in three different directions. Organisations intend to adopt AI, cannot staff it, and are not engaging the supplier market to close the gap, while the vendor layer intends to serve that demand but is building capability rather than deploying it.**

This materially changes the diagnosis. The natural inference from a 9.27% adoption rate is a deficit of interest. The survey evidence indicates the opposite: interest is abundant and execution capacity is absent. Cyprus does not have an AI awareness problem. It has an AI delivery problem.

The policy consequence is a design point before it is a scale point. Instruments that stimulate awareness or interest address a constraint that is not binding. Instruments that fund implementation capability, adoption advisory and supplier capacity address the one that is. The €6m committed through Pharos-CY is small against a ten-point national adoption gap, but the more consequential question is whether it is aimed at the right constraint.

The commercial consequence is a timing question. The gap resolves in one of two ways by 2027. Either it converts into external service demand, in which case the Cyprus AI services market expands sharply from a very low base and whichever providers built delivery capability first capture it, or it decays into unimplemented pilots and the 83% figure looks very different in a subsequent survey. Providers investing in AI delivery capability now are making a well-timed bet; those waiting for demonstrated demand will arrive late.

Commercial implication

The domestic AI services market in Cyprus is small and will remain so in the near term. AI revenue growth over 2026–27 will come predominantly from three sources: the relocated technology sector building AI products for foreign markets; financial services and gaming compliance, fraud and risk use cases; and government programmes. It will not come from broad SME adoption before 2028 on current policy settings. Vendors sizing the Cyprus AI opportunity should plan accordingly, and the transition from experimentation to deployment to integration to business-model transformation is, for the domestic Cypriot enterprise base, still at the first stage.

Where Cyprus sits on the AI adoption curve

Awareness, experimentation, adoption, deployment at scale and productivity impact are five distinct stages, and conflating them is the most common error in AI market commentary. The evidence allows Cyprus to be placed on each.

Stage	Cyprus position	Evidence
Awareness	Complete	83% of organisations report intent to invest; senior policy architecture in place since 2025
Experimentation	Advanced	39% identify introducing AI features as their leading application modernisation challenge, a problem only encountered once work has begun
Adoption	Early	9.27% of enterprises using AI technologies (Eurostat, 2025), up from an estimated 3.2% in 2023
Deployment at scale	Not reached	51% lack AI skills; 50% have no external delivery route; fewer than a third of vendors have delivered AI solutions
Productivity impact	Not measurable	No organisation surveyed uses adoption or usage rates as an ICT KPI, so conversion to productivity is not being tracked

> MARKET SIGNAL **Cyprus has completed the awareness stage and is early in adoption. It has not begun deployment at scale, and it is not measuring productivity impact at all. On present evidence the constraint that will determine the next stage is specialist human capital, exactly the fuel the qualitative research identifies.**

What kind of AI business Cyprus can defend

A consistent warning from senior industry stakeholders concerns the competitive durability of generic AI ventures. Major global platforms can absorb straightforward AI functionality into their assistants and ecosystems at negligible marginal cost, eliminating the differentiation of smaller consumer-facing applications in a single product release.

The strategic conclusion is that defensible Cypriot AI businesses will be built on domain expertise, proprietary or hard-to-assemble datasets, embedded workflow knowledge and vertical specialisation rather than on general-purpose capability. This aligns with the assessment in Chapter 17 that Cyprus's realistic advantage lies in specialised niches, and it carries a direct implication for the Research and Innovation Foundation and for investors: generic AI propositions are the least defensible category available to a small ecosystem.

From strategy to execution

Industry stakeholders welcome the national AI strategy while arguing that its value depends entirely on the implementation machinery attached to it. The specific requirements identified are defined key performance indicators, dedicated implementation committees, timelines, funding commitments, annual milestones and accountability.

Parts of the industry argue for investment on a scale considerably beyond current commitments, of the order of €1 billion across several years rather than as single-year expenditure. This is an industry proposal rather than a description of existing policy, and it is not adopted as a recommendation by this report. It is nonetheless a useful indication of the scale that experienced practitioners believe international competitiveness in AI would require, and it sits against the €6m cleared for the Pharos-CY grant scheme and a sovereign AI infrastructure funding plan deferred to 2028.

> STRUCTURAL CONSTRAINT **The gap between a €6m instrument and an industry expectation measured in hundreds of millions is not primarily a disagreement about money. It is a disagreement about whether Cyprus is attempting to participate in AI or to compete in it. The report's own finding, that the binding constraint is execution capability rather than awareness, suggests that how the money is deployed matters at least as much as how much of it there is.**

11.2 Cloud and data analytics: the quiet strength

The European Commission assesses Cypriot business uptake of advanced technologies such as cloud and data analytics as "well advanced," and 74.35% of Cypriot SMEs have reached at least basic digital intensity against an EU average of 71.39%. This is a genuine and under-reported strength, and it sharpens the AI finding considerably.

> **Cypriot SMEs cleared the basic digital bar ahead of Europe and then stopped. The constraint is not digitisation. It is the step from basic tooling to advanced technology.**

The distinction matters for policy design. Instruments aimed at getting firms online, onto cloud email and into digital accounting are addressing a problem Cyprus has largely solved. The unmet need is the

second step: data infrastructure, analytics capability, process redesign and the organisational capacity to deploy AI, which requires advisory and skills intervention rather than subsidised tooling.

Primary research now supplies the Cyprus-specific measure that official sources do not. 88% of end-user organisations report using cloud services, against an EU average of 52.7% of enterprises using paid cloud computing services in 2025. Self-selection and the sample's financial services weighting make this an upper bound rather than a national estimate, but it corroborates the Commission's qualitative assessment and confirms cloud as an established rather than emerging capability. That reading is reinforced from a second direction: cloud is the technology area where end users report the smallest skills gap, at 20%, against 51% for AI and 43% for cybersecurity.

What these organisations now say about cloud is more revealing than the adoption rate.

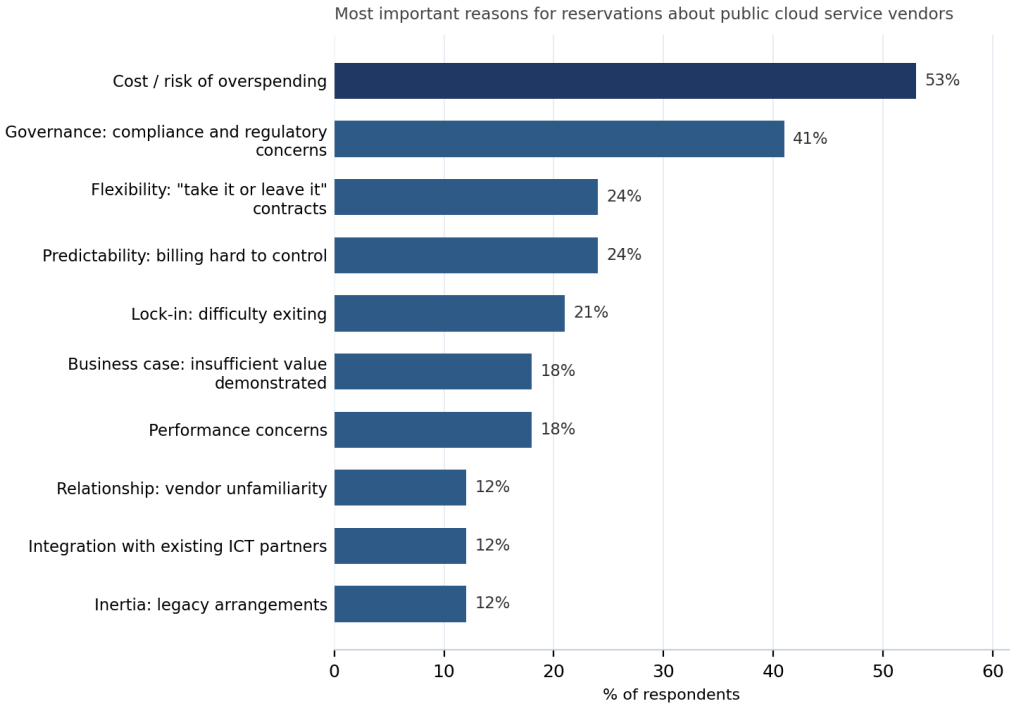


Figure 8. *Cost, not security, is the leading reservation about public cloud.* *Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

Cost and the risk of overspending is the leading reservation at 53%, ahead of governance and compliance concerns at 41%, contractual inflexibility and billing unpredictability at 24% each, and lock-in at 21%. Only 18% question the business case at all. Among organisations assessing benefits actually realised, cost reduction scored lowest of the seven tested, below improved security and governance, higher customer satisfaction and improved data integration.

Industry participants qualify this picture in one important respect. While adoption is widespread, they assess Cypriot cloud usage as remaining below its potential and below international levels, identifying trust and organisational reluctance to migrate existing workloads as continuing barriers rather than cost or capability. The government's Cloud First direction and the hybrid Government Cloud procurement described in section 10.4 are intended to address exactly this on the public-sector side.

The two readings are compatible and together they are more precise than either alone. Breadth of adoption is high: most organisations use cloud for something. Depth is lower: legacy and core workloads remain on-premises, which is consistent with 31% of organisations still running infrastructure in house and 19% expecting on-premises usage to increase. Cyprus has adopted cloud widely and migrated to it partially.

> **MARKET SIGNAL** **This is the profile of a market that has finished adopting cloud and started auditing it. Cypriot organisations are no longer deciding whether to use cloud; they are managing what it costs, and it has not delivered the savings they expected.**

The commercial consequence is specific. The services required in the economics phase (cost visibility, commitment management, rightsizing, architecture review) differ substantially from the migration work that characterised the adoption phase. No vendor respondent identified cloud cost management or optimisation as a service focus or planned investment area. It attaches to an installed base approaching universality, requires modest capability investment relative to AI or security, and answers a complaint customers are already voicing. On the evidence available it is the lowest-difficulty commercial opportunity identified anywhere in this report.

Data gap: the underlying Eurostat percentages for Cypriot cloud and data analytics adoption are not available in the published tables and this assessment rests on the Commission's qualitative characterisation.

11.3 Cybersecurity: regulation converts to expenditure in 2026

Three regimes bite simultaneously, and 2026 is the year in which compliance stops being a horizon and becomes an obligation.

Regime	Status	Scope	Penalty exposure
DORA	Applicable since Jan 2025; first genuine supervisory enforcement cycle in 2026	Financial entities and critical ICT providers	Via sectoral financial supervisors
NIS2	Organisational compliance deadline October 2026	Essential and important entities: energy, transport, health, water, digital infrastructure, public administration, manufacturing, food, digital service providers. Threshold 50+ employees OR €10m+ turnover	Essential: up to €10m or 2% of global turnover. Important: up to €7m or 1.4%
Cyber Resilience Act	Incident reporting 2026; full requirements 2027	Nearly all products with digital elements, including commercialised open source	n/a

Sources: EU regulatory instruments; Cyprus Digital Security Authority is the national NIS2 supervisor.

Four mechanisms convert this into spending. First, the threshold catches the Cyprus mid-market: 50 employees or €10m turnover is a low bar in an economy where SMEs generate 77.7% of business economy value added and the average SME employs 3.8 people; a large population of firms that have never operated a formal information security management system are now in scope. Second, board-level accountability moves security procurement from the IT budget to the board risk agenda, which historically raises both budget and urgency. Third, the notification deadlines cannot be met without detection and response capability, driving demand for managed detection and response and security operations centre services, and in Cyprus those deadlines are tighter than the Directive's floor, a point developed immediately below. Fourth, ISO 27001 certification maps onto a substantial share of NIS2 requirements and is becoming a commercial precondition for supplying regulated Cyprus entities.

Sizing the opportunity

Applying the standard benchmark of security at approximately 10.9% of IT budget, rising to 15–18% for regulated industries, to the financial services segment gives security spending of roughly €48–58m in 2025, plus the modelled €38m DORA and NIS2 uplift across 2026–27. Extending to all NIS2-scope entities across the wider economy plausibly doubles that.

How many organisations are actually in scope

The sizing above rests on a population that no published statistic counts. NIS2 scope is not a register; it is a test applied sector by sector, and the number of Cypriot entities that meet it has to be established

by the supervisor rather than looked up. Commissioner of Communications Marios Pieris, interviewed for this study, puts that number for the first time.

> The regulator's own count is the first quantification of the NIS2 population in Cyprus, and it describes **a nearly ninefold expansion of the supervised perimeter.**

Table 11.3a: The expanding regulated perimeter, two statements from the same source

Source	Previous regime	Expanded regime	Multiple	Evidence tier
Marios Pieris, Commissioner of Communications, interview for this study, 2026	approximately 60 entities	approximately 520 entities	8.7×	Interview evidence: not independently verified
Commissioner of Communications, published article, Digital Security Authority, 2025	70 entities	around 600 entities	8.6×	Published, attributable to the supervisory authority
Sectoral scope, Law 60(I)/2025 transposing Directive (EU) 2022/2555	7 sectors	18 sectors and dozens of entity types	n/a	Tier 1: legislative

Sources: Marios Pieris, Commissioner of Communications, interview for this study, 2026; Commissioner of Communications, "Strengthening National Cyber Resilience Amid Global Instability", Digital Security Authority / Gold Magazine, 2025; Law 60(I)/2025. The two counts are treated as successive working estimates from an ongoing scope-identification exercise, not as inconsistent claims.

The two figures do not match exactly, and this report does not reconcile them artificially. They were given roughly a year apart while the Authority was still identifying entities sector by sector, and the honest reading is a supervised population rising from **somewhere between 60 and 70 entities to somewhere between 520 and 600**, an expansion of a little under nine times on either pair of numbers. The multiple is the finding; the precise endpoints are not yet a statistic.

What this converts into commercially is a per-entity number the market has not previously had. The €90–130m security market sized above, set against roughly 520 to 600 regulated entities, implies average security-related expenditure in the order of **€150,000 to €250,000 per regulated entity** once the compliance cycle is fully loaded. That is an average across a population running from systemically important banks and telecommunications operators to 50-person manufacturers and water utilities, so it describes the shape of the opportunity rather than any individual budget. It does, however, establish the order of magnitude, and it explains why the addressable opportunity is far larger than the documentation work the market currently prices.

> SIGNATURE INSIGHT **Cyprus has moved from supervising around 60 entities to supervising around 520 in a single legislative step, without a corresponding expansion in either the supervisory apparatus or the domestic provider base. The binding constraint on compliance by October 2026 is therefore unlikely to be willingness to spend. It is the number of qualified people available to do the work, on both sides of the supervisory relationship.**

The notification deadline Cyprus actually applies

One detail of the Cypriot regime is materially stricter than the Directive it transposes, and much published commentary has it wrong. Directive (EU) 2022/2555 sets an early warning within 24 hours of awareness and an incident notification within 72 hours. Pieris's evidence for this study,

corroborated by legal commentary on the adopted Cypriot law, indicates that the national framework requires an **initial notification within six hours**, with the fuller notification at 72 hours.

Contested, and resolved in favour of the shorter period. Legal commentary published after the adoption of Law 60(I)/2025 states an initial notification within six hours and a full notification within 72 hours, and Commissioner Pieris referred to a six-hour initial notification in interview for this study. Some guidance published before adoption still reproduces the Directive's 24-hour early warning. Because the supervising authority and post-adoption commentary agree, this report states six hours, and entities should confirm the current position against Article 35B of Law 89(I)/2020 as amended by Law 60(I)/2025 before relying on it operationally. This report does not offer legal advice.

The commercial consequence is larger than the four-fold reduction in the window suggests, because six hours removes an option that 24 hours leaves open. A 24-hour deadline can be met, at a stretch, by an in-house team that discovers an incident during the working day and escalates it. A six-hour deadline cannot be met reliably by an organisation without out-of-hours detection, a pre-agreed triage path and a named person authorised to file a regulatory notification at three in the morning. For the SME-dominated population described above, that specification is not buildable in-house at any sensible cost.

WHY THIS MATTERS **The six-hour initial notification deadline is the single strongest structural driver of managed detection and response demand in the Cyprus market, and it is largely absent from how the opportunity is currently discussed. It converts a documentation obligation into a twenty-four-hour operational one, and an operational obligation of that kind is either outsourced or unmet.**

A €90–130m Cyprus security market, growing faster than any other segment, mandated by a statutory deadline in October 2026, and unlike cloud or AI, structurally local. This is the clearest commercial opportunity identified in this study for domestic Cypriot ICT firms.

Demand-side confirmation

The regulatory mechanism described above is already registering in business planning, and the primary research shows how far it has travelled beyond the IT function.

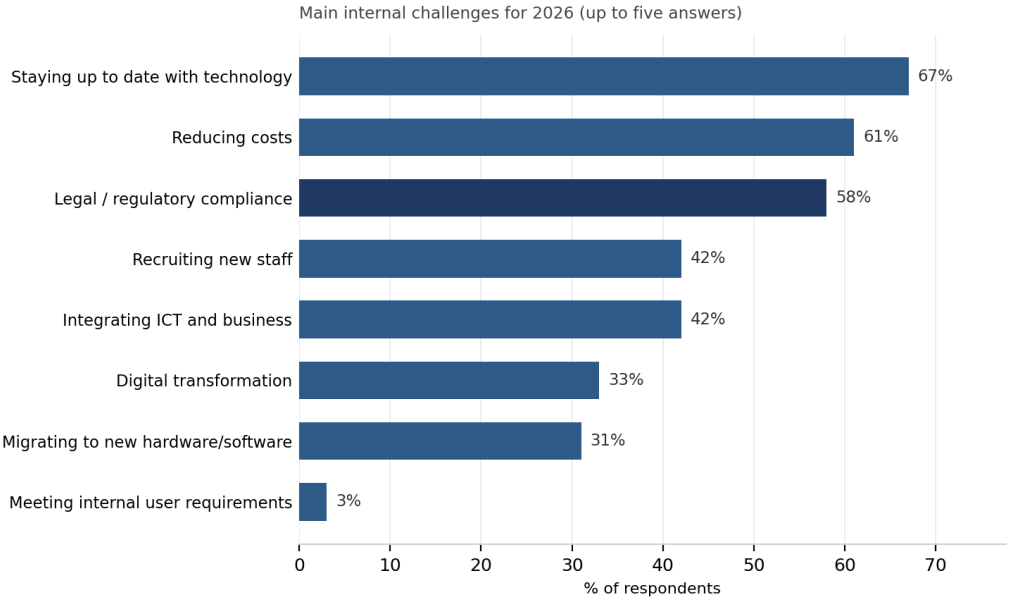


Figure 9. *Compliance has become a top-three internal challenge for Cyprus organisations.* *Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026. Up to five answers.*

Legal and regulatory compliance was named by 58% of organisations among their main internal challenges for 2026, ranking third of eight items, behind only keeping pace with technology (67%) and reducing costs (61%), and ahead of recruitment, ICT-business integration and digital transformation. Compliance has become a general management concern rather than a specialist one, which changes the buying centre, the budget line and the urgency.

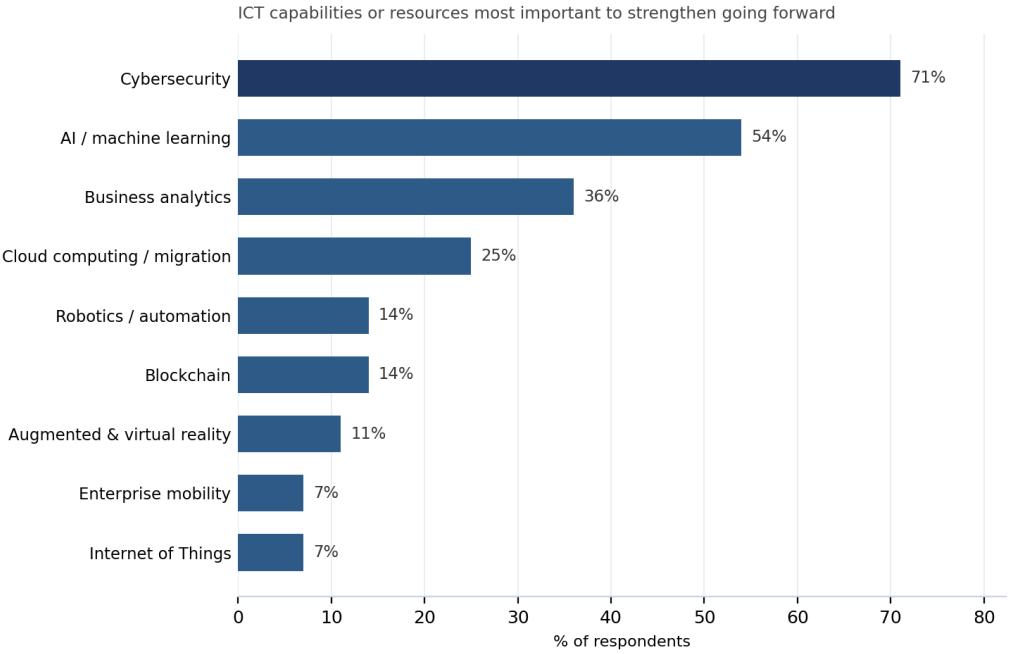


Figure 10. *Cybersecurity and AI dominate the forward capability agenda.* *Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

Looking forward, cybersecurity is named by 71% as the capability most important to strengthen, the highest score recorded for any capability in the research, ahead of AI at 54% and business analytics at 36%. It also carries the highest firm-commitment score of any technology for 2026 investment, at

44%, and 56% of organisations expect the rise in cyber attacks to be the single largest influence on ICT spending across Cyprus.

STRONG MARKET SIGNAL **Four independent questions in the demand-side research point the same way, and they converge with the regulatory timetable and the market sizing above. Cybersecurity is the most firmly evidenced growth area in this report.**

The supply side appears less prepared for this than the demand side is committed to it. Among surveyed vendors, fewer than a third had delivered cybersecurity solutions in the preceding period, a similar share identified rising cyber attacks as a leading influence on ICT spending, and a similar share named cybersecurity among the areas where the organisation most needs to develop talent. This points the same way as the sizing: a €90–130m compliance-driven market with a statutory deadline in October 2026, facing a domestic supplier layer whose delivery experience is concentrated elsewhere.

> *"[…] awareness has increased and everyone has started looking for solutions. So it's also driving activity in the market, I think. That is why the difficulty of finding specialists or buying in services is intensifying. So it is a challenge, a big challenge, but for the whole world too. And I think we are at a better level of awareness and maturity than we were three years ago, four years ago."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

A preparedness warning, and how it tests against the evidence

National Chief Scientist Demetris Skourides introduces a note of caution that cuts against the demand-side optimism above.

> *"Cybersecurity is a blind spot for Cypriot companies."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

This is a strong expert assessment and it should not be generalised into a statistical finding, because the quantitative evidence is more equivocal. Cypriot organisations rank cybersecurity as their highest forward capability priority (71%) and their highest-conviction 2026 investment (44%), which is not the profile of a market ignoring the issue. But 43% simultaneously report lacking cybersecurity skills, fewer than a third of vendors have delivered cybersecurity solutions, and just 7% of buyers cite security or compliance concerns among their dissatisfactions with providers, the lowest-scoring complaint in the list.

RECONCILING THE EVIDENCE **Cypriot organisations recognise cybersecurity as a priority and are not confident they can execute it, while expressing almost no dissatisfaction with the providers currently serving them. Recognition is high, capability is low, and scrutiny of existing provision is low. That combination is consistent with the blind-spot assessment without contradicting the priority data: the risk is not that Cyprus is unaware of cybersecurity, but that it is measuring preparedness against the wrong threat.**

The qualitative research is specific about why that threat is changing.

> *"Synthetic attacks, synthetic identity, synthetic fraud, synthetic media. We are not prepared for these things."*

Demetris Skourides, National Chief Scientist, interview for this study, 2026

This identifies the second-order effect of the AI cycle described earlier in this chapter, and it deserves separate treatment because it changes what compliance spending must buy. Generative AI raises the sophistication and lowers the cost of phishing, impersonation, identity fraud, social engineering and attack automation. Defences built for a threat environment of signature-based malware and perimeter intrusion (antivirus software and conventional security suites) do not address an attacker who can generate convincing synthetic media, voice or identity at negligible marginal cost.

> STRUCTURAL RISK **Artificial intelligence is simultaneously the largest productivity opportunity and the largest emerging systemic risk in the Cyprus technology economy. The same technology cycle that section 11.1 identifies as the market's principal growth vector is materially changing the threat environment that section 11.3 requires organisations to defend against.**

The commercial implication is that the security opportunity sized above is not solely a compliance-documentation market. It requires detection and response capability, identity assurance and (the element most often omitted) sustained employee awareness training, because synthetic social engineering targets people rather than systems. Providers positioning purely around NIS2 documentation will meet the regulatory requirement and not the actual threat.

> SUPPLY–DEMAND GAP **The demand side's highest-conviction priority is not the supply side's highest priority. This is the clearest underserved opportunity visible in the primary research, and it coincides with the one significant Cyprus technology market that domestic firms are structurally positioned to win.**

The reason it is winnable domestically is specific. Cloud and AI value accrues overwhelmingly to hyperscalers and international software vendors, and Cypriot firms capture only integration margin. Compliance-driven managed security requires local regulatory knowledge, local supervisory relationships, response times measured in hours and, frequently, data residency. These are the conditions under which local providers hold structural advantage.

What the supervisor is building, and what it changes about demand

Regulation in Cyprus is not arriving as enforcement alone. Pieris's evidence for this study describes an authority deliberately positioning itself as an enabler as much as a regulator, advising entities on their obligations, helping them interpret scope, supporting implementation and funding improvement, alongside the compliance monitoring the law requires. For providers, that distinction is commercially significant: a supervisor that publishes guidance, runs training and funds adoption expands the addressable market faster than one that only inspects and fines.

It is also building operational capability of its own, and the composition of that build is a forward indicator of what the market will be asked to buy. The national capability now spans or is being extended to cover:

- **Offensive testing.** A Red Team whose function is to test infrastructure and locate weaknesses before an adversary does, a shift from incident handling toward pre-emptive assurance.
- **Defensive and remediation support.** A Blue Team able to support critical entities through serious incidents, working alongside the affected organisation's own specialists. Supervisory evidence indicates deployments could run to around two weeks inside a single affected organisation.

- **Digital forensics and incident response, and malware analysis**, the specialist disciplines that determine what actually happened, as distinct from restoring service.
- **Threat intelligence, including dark-web monitoring.** The rationale given is specific and uncomfortable: information about a compromise can be circulating on adversary channels before the victim's own IT function is aware anything is wrong.
- **Legal capability embedded in incident response**, because a significant incident triggers notification duties, contractual exposure and regulatory liability at the same time as it triggers a technical response.

Three consequences follow for the market. First, the demand mix moves decisively away from perimeter products. An environment in which the national authority runs threat intelligence and continuous monitoring is one in which antivirus and firewall renewals no longer constitute a security posture, and the growth is in managed detection and response, continuous monitoring, forensic readiness and testing. This converges with the AI-driven threat shift set out above rather than duplicating it: the earlier evidence explains why the threat changed, this explains what the response apparatus now looks like.

Second, serious remediation is a multi-week, multi-disciplinary engagement rather than a product deployment. A two-week specialist embedment is a useful public benchmark for what a significant incident actually costs in expert time, and it is an order of magnitude beyond what most Cypriot organisations have budgeted. Third, incident response is a team sport combining engineering, security, management and legal expertise, a services shape that suits integrators and professional services firms considerably better than it suits product resellers.

The public–private expertise reserve

The most strategically interesting proposition to emerge from the supervisory evidence is not a regulation at all. It is a model in which the authority knows in advance which specialists in the Cypriot private sector hold which capabilities (firewalls, particular platforms, malware analysis, network security, incident response) and has arrangements allowing those experts to be mobilised into a national response during a major incident.

The logic is a small-state logic. No authority in a country of this size can permanently employ every specialist capability it might need at three in the morning, and attempting to would compete directly with the private market for the same scarce people. A reserve model inverts the problem: capability stays commercially employed and productive, and is called on when the national interest requires it.

> SIGNATURE INSIGHT **A national cyber expertise reserve is the highest-leverage cybersecurity policy option available to Cyprus, precisely because the country cannot solve its capability problem by public hiring. It converts the private sector's specialist depth into national resilience without duplicating it, and it gives participating firms a credential no marketing budget can buy. No comparable mechanism currently exists in Cyprus, and none of the national strategy documents reviewed for this report proposes one.**

Presented as a proposition described in supervisory evidence, not as announced policy. This report found no published scheme, legal instrument or budget line establishing such a reserve, and treats it as a strategic option under consideration rather than a commitment.

The money attached to the obligation

Regulation imposing cost on SMEs is usually accompanied by funding intended to offset it, and Cyprus has built that funding through the National Cybersecurity Coordination Centre, which operates

alongside the Digital Security Authority. The scale of it is modest, and the arithmetic against the regulated population is instructive.

Table 11.3b: Cyprus national cybersecurity funding for enterprises

Instrument	Scale	Design	Status
NCC-CY first enterprise scheme	€1m distributed	Cybersecurity projects for SMEs	Completed 2024
Enhancing Cybersecurity for SMEs 2025 (NCC-CY-ENTERPRISES/0925)	€1.5m total budget	€20,000–€65,000 per enterprise, or up to €75,000 where the ENISA AR-in-a-Box tool is adopted; 70% of eligible costs	Call closed 18 November 2025; administered by the Research and Innovation Foundation with the Digital Security Authority acting as NCC-CY
Further NCC-CY initiatives	€5.5m across four schemes	In preparation at the time of writing	Announced, not yet called

Sources: Research and Innovation Foundation, call NCC-CY-ENTERPRISES/0925; Cyprus funding programmes portal; Commissioner of Communications, Digital Security Authority, 2025. Scheme parameters are Tier 1; the four forthcoming initiatives are announced intentions.

At €20,000 to €65,000 per grant, a €1.5m scheme funds between **roughly 23 and 75 enterprises**. Set against a regulated population of approximately 520 to 600 entities, the current scheme can reach at most **one in seven of them, and plausibly one in twenty-three**, before considering the tens of thousands of Cypriot SMEs outside the regulatory perimeter that nonetheless face the same threat environment. Even the full €5.5m pipeline, if delivered on comparable terms, would reach a few hundred enterprises at most.

> WHAT THIS MEANS **The funding is well designed and materially useful to the firms that win it. It is not, and was never scaled to be, the mechanism by which Cyprus reaches NIS2 compliance. The overwhelming majority of the €90–130m will be privately financed, which is precisely why the compliance deadline is a commercial opportunity for providers rather than a public-procurement one, and why cost, not grant availability, will determine how many entities are compliant in October 2026.**

One practical detail matters for providers and for the firms they serve: access to certain funding routes runs through registration in the national cybersecurity community maintained around the coordination centre, in which a number of Cypriot IT companies already participate and which is not restricted to private companies alone. Registration is administratively trivial and commercially non-trivial, and the report's recommendations treat it accordingly.

11.4 The shift to managed services

Cyprus's enterprise structure makes the managed services transition unusually pronounced. An economy of numerous small firms cannot economically staff specialist security, cloud and data capability in-house. The combination of an SME-dominated base, a compliance requirement whose six-hour initial notification deadline cannot be met without round-the-clock detection, and a senior specialist labour market that prices those skills beyond individual small firms produces a structural shift from project work and in-house operations toward managed and outsourced services. We assess this as structural rather than cyclical, and as the most reliable growth vector in the domestic market over 2026–30.

11.5 The transformation constraint is organisational

Analysis of Cyprus's adoption gap has generally treated it as a skills problem. The demand-side research indicates that framing is incomplete.

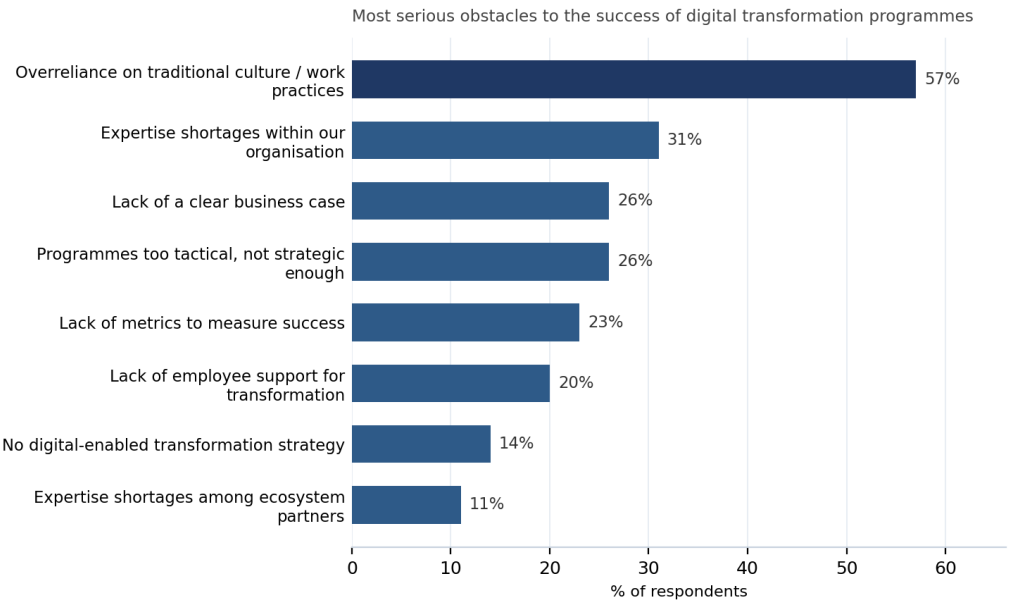


Figure 11. *Culture, not skills, is the primary obstacle to digital transformation.* *Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

Asked which challenges represent the most serious obstacles to the success of digital transformation, 57% of organisations named overreliance on traditional culture and work practices, nearly double the 31% citing expertise shortages within their own organisation, and five times the 11% citing expertise shortages among ecosystem partners. Lack of a clear business case and programmes that are too tactical rather than strategic followed at 26% each.

Two conclusions follow, and both cut against conventional framing. The binding constraint on transformation in these organisations is organisational rather than technical. And buyers do not blame their partners: at 11%, ecosystem partner expertise is the least-cited obstacle in the list, consistent with the dissatisfaction evidence in Chapter 7 showing that competence is not the complaint.

> STRUCTURAL CONSTRAINT **Cyprus's digital transformation problem, as the organisations themselves describe it, is a change-management problem in a technology costume. Interventions confined to training and subsidised tooling address the 31%, not the 57%.**

A related governance failure compounds it. Organisations evaluate ICT investments primarily on productivity improvements (44%), cost savings achieved (41%) and user satisfaction (41%), while return on investment is used by only 26% and adoption or usage rates by none at all. Cypriot organisations have identified take-up and culture as their principal barrier and are measuring neither. This is specific, correctable and unusually cheap to fix.

Customer expectation as an investment driver

One driver of technology investment identified in the qualitative research does not appear in adoption statistics at all. Industry participants report that sectors with substantial direct consumer interaction (retail, supermarkets, hypermarkets and consumer-facing services) are under escalating pressure to modernise, driven by customer expectation rather than by internal efficiency calculation.

The specific investments cited are self-checkout systems, electronic shelf labels, online ordering and same-day delivery capability. What these have in common is that they are adopted because customers now expect them, not because a return-on-investment case initiated the project. Once a competitor offers same-day delivery or frictionless checkout, the investment becomes a condition of remaining in the market.

> MARKET SIGNAL **A growing share of Cypriot technology investment is defensive and expectation-driven rather than efficiency-driven. This partly explains why 44% of organisations evaluate ICT investment on productivity improvement and only 26% on return on investment: for expectation-driven projects, the ROI question is not the one being asked.**

Commercially this identifies retail and consumer-facing services as a demand segment whose spending is less discretionary than its low IT-intensity suggests, and whose purchasing trigger is competitive parity rather than budget cycle. Suppliers positioning around efficiency and cost savings are addressing a motivation these buyers are not principally acting on.

11.6 Hybrid working and the digital workplace

Hybrid working is now standard in Cyprus technology employment; recruiter reporting indicates firms mandating five days in office face significantly narrower candidate pools. This sustains demand for collaboration, endpoint management and zero-trust security architecture. Among emerging technologies, edge computing has visible traction (estimated edge nodes rose from 9 in 2024 to 14 in 2025), while blockchain retains a niche presence linked to the University of Nicosia's long-standing specialisation and the digital asset regulatory population. Quantum-related activity is not computed at national level and has no measurable market presence in Cyprus.

11.7 Data, analytics and automation

Data analytics sits between Cyprus's strength in basic digitalisation and its weakness in AI, and it is the capability that determines whether the second follows the first. Across the EU, 39.85% of enterprises performed data analytics in 2025 either with their own staff or through an external provider, led by Denmark at 60.0%, Estonia at 56.0% and the Netherlands at 56.0%. Cyprus is characterised by the European Commission as well advanced on data analytics uptake, though the precise national figure is not available in the sources reviewed.

The sequencing matters more than the level. An enterprise cannot deploy AI meaningfully without data infrastructure, data governance and analytical capability already in place. Cyprus's position (above EU average on basic digital intensity, mid-range on cloud, well advanced on analytics, near-bottom on AI) is therefore not a contradiction but a pipeline that has stalled at its final stage. That is a considerably more tractable problem than a general digitalisation deficit would be, and it implies a specific intervention: advisory and skills support at the analytics-to-AI transition, not further subsidy of basic tooling.

Automation demand is being driven by labour scarcity rather than by technology enthusiasm. With a vacancy rate 47% above its long-run average, acute shortages in construction, hospitality and retail, and a minimum wage rising in January 2026, the economics of substituting software and robotics for labour have shifted materially in Cyprus over two years. Robotic process automation in financial services back offices, hospitality property and revenue management systems, and retail point-of-sale and inventory automation are the most likely near-term expressions.

11.8 Workplace technology demand

Hybrid working is now the default expectation in Cypriot technology employment. Recruiter evidence indicates that firms mandating five days in office without a compelling reason face significantly narrower candidate pools, and that defined levelling frameworks and regular performance reviews

measurably improve retention. This sustains structural demand for collaboration platforms, endpoint management, identity and access management and zero-trust security architecture, the last increasingly driven by NIS2 rather than by preference.

It also has a second-order effect that is under-appreciated. Hybrid work weakens the link between where a technology worker is employed and where they live, which cuts both ways for Cyprus: it makes the island attractive to remote workers, supported by a Digital Nomad Visa requiring €3,500 net monthly income and capped at 1,000 permits, and it simultaneously makes Cyprus-based staff addressable by foreign employers. In a market where housing costs are rising faster than wages, the second effect is the more consequential.

11.9 Emerging technologies

Technology	Cyprus position	Assessment
Edge computing	14 estimated edge nodes (2025), up from 9 in 2024	Genuine traction; supports the regional edge proposition in Chapter 12
Blockchain and digital assets	University of Nicosia specialisation; CySEC authorises MiCA CASPs alongside MiFID firms	Established niche with regulatory infrastructure, unusual among small EU states
Internet of Things	Smart city projects under the RRP (€35m); port and maritime applications	Early; publicly funded rather than commercially driven
Robotics and automation	Emerging industrial-tech startups; labour scarcity driving demand	Nascent but with a clear economic driver
Quantum	Not computed at national level	No measurable market presence
Semiconductors	Not computed at national level; no ICT manufacturing base	Not applicable to Cyprus

The honest assessment is that Cyprus should not pursue breadth across emerging technologies. It has no manufacturing base, a research intensity of 0.65% of GDP and a scale-up funding ceiling around €35m. Where it has genuine positions (digital assets regulation, edge infrastructure, maritime technology and cable security), these arise from existing institutional or geographic advantages rather than from research investment, and those are the positions worth deepening.

12. Digital Infrastructure

12.1 Domestic connectivity: effectively complete

Indicator	Cyprus	Benchmark	Year
5G population coverage	100%, fully achieved	EU incomplete	2024
Fixed gigabit / VHCN coverage	Extensive incl. rural	EU average	2025
FTTP coverage	77.1%	EU 64.0%	2023
VHCN annual growth	28.5%	EU 7.4%	2023
VHCN in sparsely populated areas	55.7%	EU 55.6%	2023
Edge nodes	14 (from 9 in 2024)	n/a	2025
Average mobile download speed	108.97 Mbps	n/a	Jun 2025
Internet penetration	94.92%	n/a	Dec 2024

Sources: European Commission Digital Decade Country Reports 2024–2026; Speedtest Global Index; Eurostat.

Cyprus was the first EU member state to achieve 100% 5G population coverage. Fibre-to-the-premises coverage has been growing at nearly four times the EU rate. On the domestic connectivity dimension, the work is substantially done.

> *"An important pillar is the infrastructure within the country. It is the technological connectivity infrastructure. […] Coverage, population coverage, not only with 5G but also with high-speed fibre optics."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

The demand side confirms this conclusion decisively. Asked which factors will have the most impact on ICT spending by organisations in Cyprus, no organisation selected broadband, 5G and future network rollout. Energy costs, by contrast, were named by 44%, ranking second only to the rise in cybersecurity attacks.

MARKET SIGNAL **Cypriot organisations do not regard connectivity as a factor in their technology spending decisions. They regard the cost of power as one. Official coverage statistics and demand-side evidence now point the same way.**

Cyprus has achieved near-universal high-speed network availability, shifting the country's digitalisation constraint decisively away from connectivity and toward enterprise adoption, skills and organisational capability. Continued infrastructure investment now yields diminishing returns relative to demand-side intervention.

12.2 International connectivity: the genuine strategic asset

Development	Detail	Status
BlueMed submarine cable	Landed at Cyta's Yeroskipos station; Sparkle-developed with Google and partners; 4 fibre pairs, >25 Tbps initial design capacity per pair; links Italy–Mediterranean–Near East–India; EU Connecting Europe Facility funded	Landed Oct 2025
East Med Corridor (EMC West)	center3 (stc group) with Alcatel Submarine Networks; Haql (Saudi Arabia) to Genoa and Marseille via Cyprus and Greece; branches in Cyprus, Crete, Athens; positions Greece and Cyprus as the "EU's East Data Gateway"	RFS Q1 2026

Development	Detail	Status
PEACE cable	Mediterranean segment with Cyprus landing	Operational
Total systems	Approximately 10 subsea systems, 2 cable landing stations	Established

The European Commission separately identifies Cyprus as "active in security and resilience of submarine cables" and recommends that Cyprus build technological leadership in secure digital backbone infrastructure and participate in the EU's submarine cable security strategy to enhance sovereignty and resilience. In a period when subsea cable security has become an explicit European strategic concern, this is a recognised competence in a scarce field, and Cyprus's geography places it at a genuine chokepoint.

12.3 Data centres: the weak link

Against world-class connectivity, the data centre estate is small and fragmented. Cyprus has approximately 18 facilities across 13 operators. Historically the largest carrier-neutral facility on the island offered only 600 square metres of raised floor. There is no hyperscaler region in Cyprus. Cyta's new build (phase one entering commercial operation in early 2027), which will become the largest privately owned data centre in the country, is a material improvement but does not change the order of magnitude.

And the binding constraint is not land, capital or connectivity. It is power. Cyprus recorded one of the highest non-household electricity prices in the European Union in the second half of 2025, second only to Ireland, and remains energy-isolated and dependent on imported fossil fuels. The Great Sea Interconnector is the strategic answer but is a geopolitical, financial and regulatory equation of high complexity, subject to delay and cost concern.

> **Data centres are, economically, a machine for converting electricity into compute. Cyprus proposes to become a regional data hub while running one of the two most expensive electricity markets in the European Union. Until the energy equation changes, the hub proposition is a connectivity and landing-station proposition, not a compute proposition.**

12.4 The four hub roles, assessed separately

Hub role	Cyprus position	Assessment
Cable landing and transit hub	~10 systems; BlueMed landed; EMC in service; CEF-backed; EU East Data Gateway positioning	Strong and improving: the real asset
Subsea cable security and resilience	Commission-recognised activity; EU strategy participation recommended	Genuine and under-exploited: highest-return strategic niche identified in this study
Regional colocation and edge hub	18 small facilities; Cyta build from 2027; 14 edge nodes	Emerging: credible at edge and regional disaster-recovery scale
Hyperscale and AI compute hub	No hyperscaler region; second-highest EU electricity prices; small grid	Not credible on current fundamentals; should not be claimed

Source: our assessment.

12.5 The market in operational detail

The Office of the Commissioner of Electronic Communications and Postal Regulation publishes semi-annual market statistics, and the December 2024 series shows a market that is technically advanced, saturated on mobile and steadily upgrading on fixed.

Indicator	Value	Movement	Period
Mobile users to population ratio	163.5%	+8.3%	2024

Indicator	Value	Movement	Period
Mobile users, net increase	+76,194	n/a	2024 vs 2023
Contracts with unlimited data, voice and SMS	59.56% of contracts	+2.2% contract share	2024
Fixed broadband subscriptions	+6,391	+1.79%	2024 vs 2023
Connections at 100 Mbps or higher	81.5%	+4.9% in H2	Q4 2024
Connections above 1 Gbps	4.7%	+1.4pp: largest six-month rise recorded	Q4 2024
Fibre share of fixed telephony market	76.8%	from 72.9% mid-2024	2024
Total fixed telephony connections	−24,454	Declining	2024 vs 2023
Average data volume per fixed broadband line	1.10 TB per quarter	Rising	Q4 2024
Total data volume	+15.4%	n/a	2024 vs 2023
Fixed share of total data volume	85.81%	Falling below 90% for the first time	Q2 2024

Source: Office of the Commissioner of Electronic Communications and Postal Regulation, market statistics to December 2024. Actual.

Three things follow for the ICT market. First, mobile penetration at 163.5% of population indicates a saturated market where operator revenue growth must come from data, enterprise services and adjacent businesses rather than subscriber acquisition, which is precisely why Cyta is building data centre capacity and Epic is investing in fibre. Second, the shift of data volume from fixed to mobile, with the fixed share falling below 90% for the first time, reflects the spread of unlimited mobile contracts and will continue. Third, the fibre transition is well advanced but incomplete: at 76.8% of the fixed telephony market and 81.5% of connections at 100 Mbps or above, the remaining upgrade runway is real but modest, and by 2027–28 the domestic access-network investment cycle will largely have run its course.

> **Cyprus's telecommunications sector has completed the capital-intensive phase of its transformation. Operator investment is already rotating from access networks toward data centres, submarine capacity and enterprise services, which is where the growth in the communications segment of the ICT market will come from through 2030.**

Our estimate of ≈€375m for communications services within the addressable market (Chapter 3) remains the least firm line in the model. OCECPR publishes connection and volume statistics but not aggregate market revenue; company-level revenue is available for Cyta and Cablenet but not consistently across all four operators.

13. The Cyprus ICT Workforce

13.1 The labour market is tight, but not where the narrative says

Indicator	Value	Period
Unemployment rate	4.2%	Feb 2026
Job vacancies	13,905	Q1 2026
Job vacancy rate	2.8%	Q1 2026
Job vacancy rate, 20-year average	1.91%	2005–2025
Youth unemployment	≈15%	2026
Labour force: Cypriot / other EU / third-country	67.7% / 10.6% / 21.7%	2023
EU average equivalent	85% / 4.3% / 10.5%	2023

Sources: CYSTAT job vacancy statistics; Eurostat; EURES Labour Market Information Cyprus.

Cyprus's vacancy rate stands roughly 47% above its own twenty-year average, placing it among the tightest labour markets in the Union. The tightness is real. But the composition is not what the technology-sector narrative assumes.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister treats skills as a basic parameter of growth, covering both basic digital skills and ICT specialists, and names closing the skills gap as the first strategic priority. He sees upskilling as a precondition requiring stronger instruments than the pilot run to date, alongside closer business-university cooperation, international talent mobility and Schengen accession, which he says will help a great deal.**

Sector	Vacancy rate Q1 2026	Vacancy count Q1 2026
Arts, sports and recreation	5.1%	n/a
Construction	4.7%	1,997
Accommodation and food service	4.0%	2,189
Wholesale and retail trade	n/a	2,649 (largest count)
Information and communication	Not among the highest	Not among the largest

Source: CYSTAT job vacancy statistics Q1 2026.

Cyprus's most acute measured labour shortages are in construction, hospitality and retail, not technology. The Human Resource Development Authority confirms a structural shortage of approximately 5,000 skilled construction workers (a CEDEFOP mismatch-priority occupation group), with construction vacancies up 21% year on year.

13.2 Reconciling this with universal employer complaint

Employers, recruiters and the Chamber of Commerce all report acute ICT hiring difficulty; KEVE described the position in January 2025 as a serious shortage of labour in all sectors of economic activity. Both things are true, and the resolution is precise.

The ICT shortage is a shortage of specific senior and specialist profiles at internationally competitive prices. It is not a shortage of ICT workers in aggregate.

Three pieces of evidence establish this. First, Cyprus solved the volume problem by importing: of 48,200 people in the broad technology sector in 2025, 12,400 are third-country nationals (25.7%), with 4,100 other EU nationals and 31,700 Cypriots. The Business Facilitation Unit and Companies of Foreign Interests regime made this possible at speed, reducing a process that previously took two months to as little as two weeks.

Second, the salary distribution has the signature shape of adequate junior supply and scarce senior supply. Recruiter data place junior developers at roughly €28,000–32,000, seniors at €70,000–95,000, and senior AI and machine learning engineers at €120,000 and above, with Limassol senior roles topping €100,000. That spread is unusually wide.

Third, the pipeline rather than the stock is the binding long-term constraint: ICT graduates represent 2.8% of all graduates against an EU average of 4.2%. The Commission notes recent measures expanding access to ICT studies in public higher education: the correct intervention, operating on a four-to-five-year lag.

Demand-side evidence on where the skills gap actually sits

Primary research locates the end-user skills deficit precisely, and the pattern is narrower than a general shortage narrative would imply.

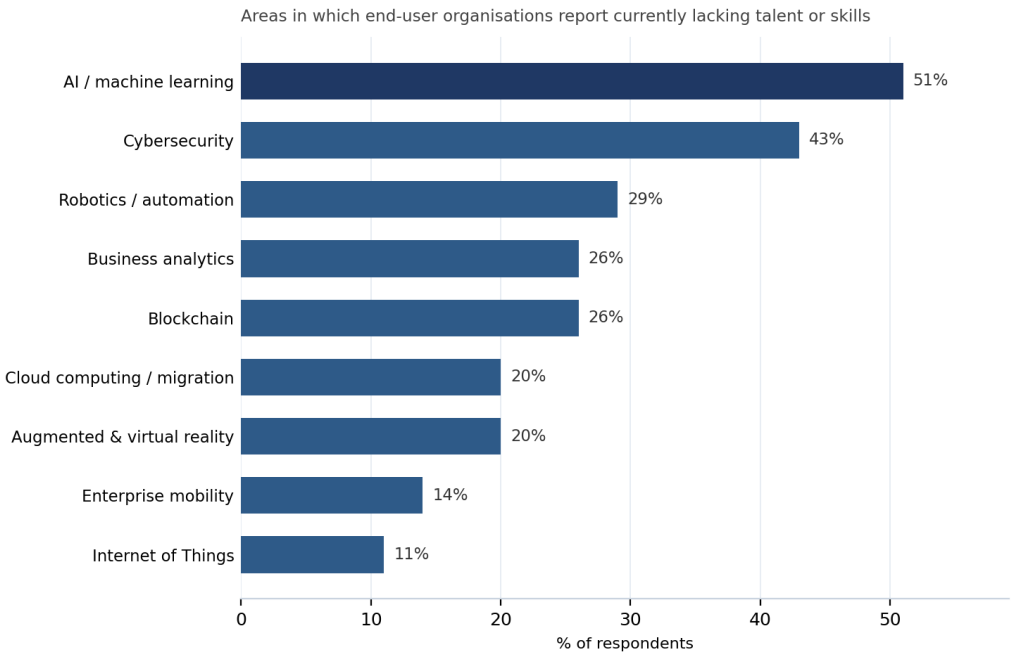


Figure 12. *The end-user skills deficit is concentrated in AI and cybersecurity. Source: IMR/University of Nicosia, Cyprus ICT End-User Survey, 2026*

AI and machine learning is the largest reported gap at 51%, followed by cybersecurity at 43%. Cloud computing registers at only 20%, among the lowest in the list, which indicates that cloud has become an established internal capability in these organisations while AI and security remain unmet. The two largest deficits correspond exactly to the two technologies attracting the highest investment intent, which is the configuration most likely to generate external service demand.

Supply-side evidence on what makes the constraint bind

Evidence from ICT providers points to a corresponding pressure on the supply side, and identifies its mechanism.



Figure 13. *For ICT vendors, salary expectations outrank scarcity as the skills constraint. Source: IMR/University of Nicosia, Cyprus ICT Vendor Survey, 2026. Vendor findings are directional.*

Asked which factors make it most challenging to maintain the skills their services require, most vendors named salary and benefit expectations, ahead of the limited availability of qualified professionals and competition from other companies, each named by a majority, and retention and work-life balance expectations, each named by a substantial minority.

CONVERGENT EVIDENCE **Price ranks above scarcity. Official vacancy data show no acute aggregate ICT shortage; industry evidence shows the constraint operating through compensation rather than availability. Three independent evidence bases now support the conclusion that Cyprus's ICT talent constraint is priced, not absent.**

The consequences vendors report are operational rather than financial, and this is where the talent question connects to market growth.

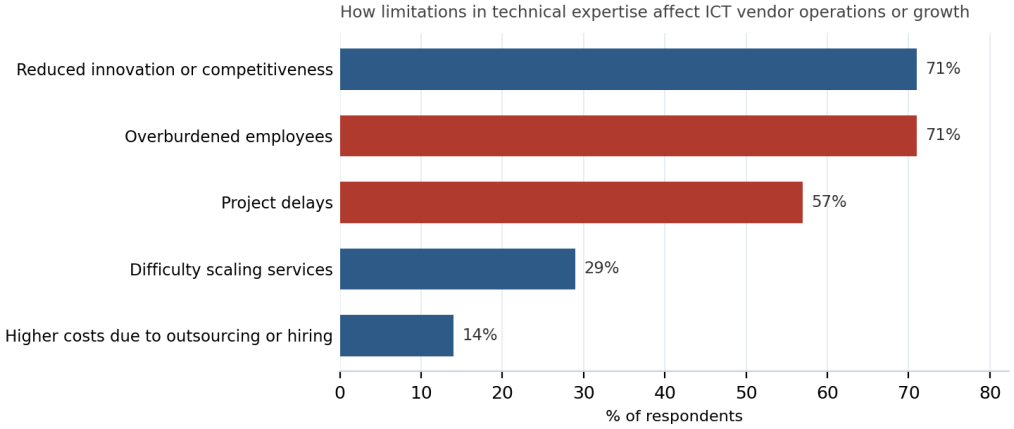


Figure 14. *Vendors describe from within the same constraint their customers complain about. Source: IMR/University of Nicosia, Cyprus ICT Vendor Survey, 2026. Vendor findings are directional.*

Seven out of ten vendors report reduced innovation or competitiveness and overburdened employees, against only 14% reporting higher costs from outsourcing or hiring. The constraint is being absorbed through employee load rather than through cost, which degrades delivery speed before it degrades margin, and Chapter 7 shows customers already experiencing precisely that degradation, with 63% citing slow response times and 52% citing delivery delays.

> STRUCTURAL CONSTRAINT **Talent is not merely a cost pressure in the Cyprus ICT sector. It is the mechanism by which demand fails to convert into delivered revenue. The sector's growth ceiling is currently set by implementation capacity, not by customer appetite.**

On mitigation, the majority of vendors use automation to reduce manual work, the most common measure, ahead of internal training and upskilling, while only a minority use internships or graduate recruitment and few collaborate with universities or training providers. The supply side is solving its capability problem by automating and training internally, largely bypassing the education system.

13.3 Occupations in demand

Consistent across recruiter, government and EU sources: software engineers, cybersecurity analysts, DevOps engineers, cloud engineers, AI and machine learning engineers, data scientists and data analysts, network engineers, system architects, IT project managers, ERP consultants, and, increasingly, hybrid profiles bridging technology, management and finance. University of Nicosia analysis identifies precisely this last category as the sharpest mismatch: the education system and training structures are not moving at the same speed as the productive model.

> *"Businesses play a very important role. The cooperation of businesses with universities. [...] they traditionally move faster than governments do. So you need to elevate that. It is happening, it is starting to happen."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

13.4 Specialist supply: the constraint behind the constraint

The evidence so far distinguishes aggregate availability from senior scarcity. Evidence from National Chief Scientist Demetris Skourides sharpens that distinction further, identifying the shortage as specific to the technologies where demand is growing fastest.

The scale of the pipeline is put in concrete terms in the same research.

> CONVERGENT EVIDENCE **Independent evidence streams identify the same specific shortage. Official statistics show ICT graduates at 2.8% of all graduates against an EU average of 4.2%. Demand-side research places AI as the single largest skills gap at 51%. National Chief Scientist Demetris Skourides puts the annual specialist output at roughly 120. The Cyprus talent constraint is not general: it is concentrated in the advanced skills that the fastest-growing part of the market requires.**

This reframes the policy question. Expanding access to ICT studies in general addresses a shortage that official vacancy data do not show. Expanding capacity specifically in data science, analytics and

AI, and doing so with a four-to-five-year lag in mind, addresses the shortage that both the survey evidence and the stakeholder evidence identify.

Three numbers for one workforce, and what each measures

Cyprus's technology headcount is quoted at three different magnitudes in public discussion, and the divergence is definitional rather than factual. Because policy evidence gathered for this study cites a fourth figure again, it is worth settling the arithmetic once.

Table 13.4a: Competing measures of the Cyprus technology workforce

Measure	2025 value	What it counts	Source and status
ICT specialists (occupational)	24,700: 4.9% of total employment	People whose job is ICT, in any sector: the developer at a bank and the systems administrator at a hospital are included; the HR manager at a software house is not	Eurostat, isoc_sks_itspt. Official statistic.
Broad technology sector employment (sectoral)	48,200	Everyone on the payroll of technology-sector firms, including finance, HR, sales and administrative staff; scope combines ICT with parts of professional services and technology-linked financial activities	KPMG Cyprus. Private assessment, not an official statistic.
Stakeholder estimate	“more than 30,000 technology specialists”	Not defined in the evidence	Qualitative research for this study, 2026. Unverified.

Sources: Eurostat; KPMG Cyprus; qualitative research for this study. The occupational and sectoral measures overlap partially; neither contains the other.

The stakeholder estimate of more than 30,000 is not supported on either published basis. The occupational series has never reached 30,000 (its peak is 26,600, in 2023), and the sectoral figure is substantially higher at 48,200. The figure is recorded here as attributed evidence and is not used elsewhere in this report. It is a reasonable approximation of neither measure, which is itself informative about how loosely the sector is counted.

This report uses the Eurostat occupational series where the question is about specialist supply, and the KPMG sectoral figure where the question is about the size of the technology employment base, and it attributes the latter explicitly because it is a consultancy assessment rather than a national statistic. Readers comparing this report with others should check which of the two is being quoted before concluding that the numbers disagree.

The specialist series has stopped growing

Policy evidence gathered for this study also refers to roughly 10% annual growth in ICT specialists in recent years. The decade figure supports this and the recent trend does not, and the difference is material to the 2026–27 outlook.

Period	Compound annual growth in ICT specialists	Reading
2015–2025	9.9%	Matches the stakeholder's characterisation, and Eurostat publishes the same figure. The fastest sustained expansion of any comparable series in this report.
2020–2025	12.4%	The relocation years. Faster still.
2022–2025	6.6%	Slowing.
2023–2025	Negative	The series peaked at 26,600 in 2023, fell 9.0% to 24,200 in 2024, and recovered 2.1% to 24,700 in 2025, still 7.1% below peak.

Source: our analysis of Eurostat isoc_sks_itspt. Cyprus is a small labour force survey sample and this series is visibly volatile; the decade trend is the robust signal and single-year movements should not be over-read.

> WHAT THE OUTLOOK SHOULD NOT ASSUME **The 10% growth figure is accurate as a decade average and describes a period that has ended. Occupational ICT employment peaked in 2023 and has not recovered to that level. Any forecast extrapolating 10% specialist growth into 2026–27 is extrapolating from a series that has been flat to negative for two years, which is consistent with the constraint this chapter identifies, and inconsistent with the confidence with which the figure is repeated.**

Foreign nationals: the correct figures

Policy evidence for this study puts foreign nationals at approximately 32.3% of technology specialists, interpreting the share as evidence of the ecosystem's international attractiveness. The interpretation is sound; the figure is not the published one, and two published figures exist depending on definition.

Group	Number	Share of 48,200
Cypriot nationals	31,700	65.8%
Other EU nationals	4,100	8.5%
Third-country nationals	12,400	25.7%
All foreign nationals (EU and non-EU)	16,500	34.2%

Source: KPMG Cyprus technology sector assessment, 2025 reference year. Components sum to the reported total. No official Cyprus or Eurostat series publishes a nationality breakdown of ICT employment, so all figures in circulation trace to this assessment.

The correct statements are therefore that **25.7% of the technology workforce are third-country nationals and 34.2% are foreign nationals of any origin**. The 32.3% figure matches neither and is not reproduced in this report. The distinction is not pedantic: the third-country share is the one exposed to immigration policy and permit processing, while the EU share is not, and the two respond to entirely different policy levers.

An earlier vintage of the same assessment, covering 2024, used a narrower sector scope of approximately 26,000 employees and reported 50% Cypriot, 42% third-country and 8% other EU. Scope and results both changed between vintages. Figures from the two years should not be compared or combined, and this report uses only the 2025 vintage.

Whichever definition is used, the substantive point stands and is more striking than the interviewee claimed: on the wider measure, **one in three people in the Cyprus technology workforce is a foreign national**. Cyprus has not solved its technology labour supply problem; it has imported the solution, and Chapter 19 treats the durability of that arrangement as a risk rather than an achievement.

The cybersecurity workforce requirement, quantified

The same specialist-not-aggregate pattern appears in cybersecurity, and here Commissioner of Communications Marios Pieris supplies a number that no official statistic publishes.

> *"Based on market research, Cyprus needs around 1,900 people to cover its cybersecurity needs."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026 (translated from Greek)

The figure of approximately 1,900 is attributed to Pieris, who described it as resting on market research. It is not published by CYSTAT, the Digital Security Authority or Eurostat, and this report has not been able to verify it independently or to establish whether it describes unfilled positions today, total requirement including existing post-holders, or requirement at full NIS2 compliance. It is used as an order-of-magnitude indication and labelled accordingly wherever it appears.

Treated with that caution, it still reframes the security opportunity set out in Chapter 11. A requirement of roughly 1,900 cybersecurity professionals against a regulated population of approximately 520 to 600 entities implies something in the order of **three specialists per regulated entity**, a plausible figure for organisations that must staff detection, response and compliance under a six-hour notification deadline, and an impossible one for a 50-person firm to carry alone. Against the 48,200 people employed in the broad technology sector, 1,900 is roughly 3.9% of the entire technology workforce, to be found or trained in a market that is already the tightest in twenty years and already 25.7% dependent on third-country nationals.

> SIGNATURE INSIGHT **The security market sized at €90–130m in Chapter 11 and the workforce requirement of roughly 1,900 specialists are the same fact stated two ways. There is no configuration in which Cyprus staffs that requirement entirely in-house across 520 to 600 separate organisations. The requirement is arithmetically a managed-services requirement, whatever buyers currently intend.**

Applicant volumes: why “there are no people” is the wrong diagnosis

It would be easy to read the preceding paragraphs as evidence of an empty labour market, and Pieris's evidence directly contradicts that reading. Recruitment for digital security engineering roles at the Authority attracted substantial interest: approximately 115 applications for 12 Digital Security Engineer positions, and approximately 51 applications for senior positions. These figures are interview evidence and are not independently verified.

This is the third independent source in this report to point at the same distinction, and the convergence is what gives it weight. Official vacancy statistics show information and communication carrying a lower vacancy rate than arts, construction or hospitality. Skourides locates the shortage in data science and AI rather than in technology generally. Pieris's account of the Authority's recruitment now shows roughly nine or ten applicants per junior specialist post alongside a national requirement the market cannot fill. Three sources of entirely different types, pointing the same way:

Table 13.4b: Three independent readings of the same labour market

Evidence	Type	What it shows
Job vacancy rate, information and communication, Q1 2026	Tier 1 official statistics	ICT vacancy rate below arts and recreation (5.1%), construction (4.7%) and hospitality (4.0%): no aggregate ICT shortage visible
Demetris Skourides, National Chief Scientist, interview for this study, 2026	Senior stakeholder estimate	Approximately 120 annual graduates across data science, analytics and AI; shortage concentrated in advanced specialisms
Marios Pieris, Commissioner of Communications, interview for this study, 2026	Supervisory evidence	Approximately 115 applications for 12 junior security engineering posts and 51 for senior posts, alongside a stated national requirement of around 1,900: applicant volume is not the constraint; qualified specialist depth is

Sources: Eurostat job vacancy statistics; qualitative research for this study. Interview figures are attributed estimates, not verified statistics.

Applicant volume and specialist scarcity are therefore not in tension; they are the two halves of one condition. Interest in cybersecurity careers is high and rising. Depth of relevant experience, certification and specialisation is not, and it is depth that a six-hour notification deadline consumes. The policy implication is narrow and important: general campaigns to attract people into cybersecurity address a problem the applicant data suggest is already being solved, while the binding constraint is

converting interested applicants into certified, experienced practitioners. That is a training-and-progression problem, not a recruitment-marketing one.

Five forces are intensifying that constraint simultaneously, and all five are documented elsewhere in this report: regulation is expanding the number of organisations requiring the skill; the threat environment is becoming more sophisticated, as Chapter 11 sets out; demand is shifting from generic IT competence toward narrow specialisms; international technology companies established in Cyprus compete for the same individuals; and domestic organisations, public bodies included, frequently cannot match the remuneration those companies offer. The fifth of these is the subject of the following sections.

13.5 The internationalisation of the labour market

A further structural change complicates every domestic remedy, and it is the most important talent finding to emerge from the qualitative research.

Remote working has severed the link between where a technology professional lives and who employs them. A Cyprus-based specialist can now supply international employers and clients without leaving the island. The consequence is that Cypriot ICT companies no longer compete for talent principally against one another; they compete against international salaries, international employers and international career paths, while carrying a Cypriot cost base.

This connects directly to the survey evidence. The majority of vendors identify salary and benefit expectations as the leading obstacle to maintaining required skills, ahead of availability. If the reservation wage is being set by international rather than domestic employers, that ordering is exactly what one would expect, and it explains why a market with no acute aggregate vacancy rate nonetheless reports acute hiring difficulty.

> STRUCTURAL CONSTRAINT **Cyprus faces a four-part talent problem, not a shortage: insufficient specialist supply, competition for attraction against international employers, retention pressure from cost of living, and a compensation benchmark increasingly set outside the country. Salary alone addresses one part of four.**

The word “framework” in that assessment is doing significant work, and it aligns with the conclusion this report reaches from the quantitative evidence. Recruiter reporting indicates that hybrid flexibility, levelling frameworks and structured progression are already becoming standard among Cypriot technology employers, meaning the employer-controlled elements of the proposition are largely being addressed. What remains outside employer control is the wage net of housing and energy, and the absence of instruments (tax treatment of equity, relocation incentives for senior specialists, or a defined high-skill visa route) that would let Cypriot firms compete for internationally priced talent without matching international gross salaries.

13.6 What industry reports about availability

Industry participants add a distinction that the vacancy statistics obscure. Their assessment is not that Cyprus lacks capable technology professionals, but that the pool is too small for the demand competing over it: domestic firms compete against one another, against relocated international companies hiring locally, and against employers abroad. Recruitment increasingly occurs before graduates have completed their studies.

Summarised in the qualitative research as a position of qualified adequacy (talent exists, but not enough of it), this is consistent with the official data rather than in tension with them. A market can show no acute aggregate vacancy rate while every employer in it reports difficulty, if the constraint operates through competition for a fixed pool rather than through unfilled posts.

13.7 Retention: what employers can and cannot control

The qualitative research is emphatic that compensation is no longer the primary retention lever, and provides the mechanism behind the survey finding that vendors rank salary expectations above availability.

Industry participants report employees moving between firms not for higher pay but for greater flexibility: hybrid and remote working, flexible hours, autonomy, work-life balance and leave policies, including unlimited leave arrangements. Younger employees in particular are described as weighting these factors heavily against gross compensation.

> CONVERGENT EVIDENCE **Three sources agree on the shape of the retention problem. Recruiter reporting indicates hybrid flexibility and levelling frameworks are becoming standard competitive practice. Vendor survey evidence places salary and benefit expectations above availability as the leading skills constraint. Industry stakeholders report employees moving for flexibility rather than pay. The employer-controlled elements of the proposition are being addressed; what remains outside employer control is the cost of living, and section 13.8 sets out why that is now the binding term.**

13.8 Retention: a housing and energy problem in disguise

The evidence supports a three-part conclusion. Availability of junior and mid-level ICT talent is adequate, supplemented aggressively by third-country immigration. Availability of senior and specialist talent is genuinely constrained, and the constraint is priced rather than absent. Retention is structurally threatened, but not by employer practice.

Recruiter reporting indicates that hybrid flexibility, levelling frameworks and regular performance reviews are already becoming standard competitive practice among Cyprus technology employers, and that the most sought-after engineers are motivated by the problem rather than solely by pay. Employers are, broadly, competing on total employee value proposition. The threat is arithmetic and external to them.

> **The indicator that determines retention is not the gross salary but the wage net of rent, energy, transport and basic services. Housing costs have risen faster than wages in the cities where technology firms concentrate, and Cyprus has the EU's second-highest non-household electricity prices. The Cyprus technology talent proposition is being eroded by the housing and energy markets, not by employers. This is a housing and energy policy problem presenting as a skills problem.**

University of Nicosia analysis reaches the same conclusion from the macroeconomic side: the arrival of high-income foreign professionals, concentration of technology firms in specific cities and limited affordable housing supply have created an environment in which income growth does not reliably translate into higher real welfare, and in which the housing market operates as a mechanism transferring income from local workers to property owners. That is the political limit of headquartering when it is not accompanied by housing policy.

13.9 Diversity and a methodological caution

Women represent 23.7% of Cypriot ICT specialists against an EU average of 19.5%, a position Cyprus has held consistently and which is a genuine relative strength. Basic digital skills across the population, however, stood at 49.5% in 2024 against an EU average of 55.6%, with a severe age

gradient: 71.8% among 16–24 year olds, 59.6% among 25–54 year olds and 18.4% among 55–74 year olds.

Methodological warning: from Q1 2026 CYSTAT compiles vacancy data under NACE Rev. 2.1 rather than NACE Rev. 2, and the latest figures are not directly comparable with earlier periods. CYSTAT will publish under both classifications through 2026. Any time series in this report crossing that boundary states which classification it uses.

13.10 The employee value proposition

The brief asks whether Cypriot companies must increasingly compete on total employee value proposition rather than salary alone. The evidence says they already are, and that the binding constraint has moved beyond what employers control.

Recruiter and industry evidence identifies a consistent set of expectations among technology candidates in Cyprus: hybrid or remote flexibility as standard rather than as a concession; defined progression frameworks from mid to senior to lead to architect, with regular performance reviews; transparent salary ranges published in job advertisements; and, for the most sought-after engineers, the intrinsic interest of the technical problem as a primary motivator rather than compensation alone. Firms with defined levelling frameworks retain talent measurably longer.

Generational differentiation is real but often overstated. What has genuinely changed is not that younger workers want different things but that the market has become tight enough for them to obtain them: with a vacancy rate at 2.8% against a 1.91% long-run average and unemployment at 4.2%, candidates can enforce preferences that would previously have been aspirational. Employers describing this as a generational shift are frequently describing a bargaining-power shift.

Element	Cyprus market position	Competitive significance
Base salary	Junior €28–32k; senior €70–95k; senior AI/ML €120k+	Necessary but no longer differentiating at senior level
Hybrid flexibility	Standard expectation	Absence materially narrows the candidate pool
Progression frameworks	Emerging as standard among leading employers	Measurably improves retention
Equity and stock options	Limited outside the relocated sector and startups	A genuine gap for domestic firms competing with relocated ones
Pay transparency	EU Pay Transparency Directive applies from 7 June 2026	Will force disclosure of ranges and equal-pay reporting
Cost of living net of salary	Housing rising faster than wages; EU's 2nd-highest electricity prices	The binding constraint, and outside employer control

> **The EU Pay Transparency Directive takes effect in Cyprus on 7 June 2026. In a market where the junior-to-senior salary spread is unusually wide and where relocated firms pay international rates alongside domestic firms paying local rates, mandatory range disclosure will expose compensation gaps that have so far been obscured. Employers should assume this is a 2026 issue, not a 2027 one.**

The same argument from the public side

The employee value proposition is usually framed as a private-sector problem, and the convergence of evidence on it is stronger than that framing allows. Supervisory evidence describes an explicit ambition to compete for specialist talent on grounds other than pay, on the reasoning that a public body cannot match private technology salaries and must therefore win on benefits, working experience, professional development, training, international exposure and career progression.

Set beside the industry evidence in this report, where a domestic ICT employer of three decades' standing reaches the same conclusion from the opposite direction, competing against relocated international firms rather than against the private sector as such, the agreement is notable. A national regulator, a long-established domestic vendor and the recruitment evidence summarised in the table above independently arrive at the same position: in the Cyprus technology labour market of 2026, salary sets the shortlist and everything else decides the outcome. For the public sector the practical lever identified is international exposure, which is cheap to provide, difficult for a domestic private employer to match, and disproportionately attractive to precisely the early-career specialists the applicant data show are available.

13.11 The pipeline

Three supply channels feed the Cyprus technology workforce and they are in very different condition.

Domestic graduates: the weakest channel. ICT graduates represent 2.8% of all graduates against an EU average of 4.2%. The University of Cyprus, Cyprus University of Technology, University of Nicosia and UCLan Cyprus all produce relevant graduates, and the European Commission notes that recent measures have expanded access to ICT studies in public higher education. That is the correct intervention and it operates on a four-to-five-year lag, meaning action taken in 2026 affects the 2030 workforce.

Reskilling and upskilling, underpowered relative to the need. The national envelope is €24m targeting 20,000 individuals, of which €13.8m is allocated to digital and STEM transformation of school units, €8.42m to skilling, reskilling and upskilling, and €1.85m to the e-skills action plan. Cyprus performs above the EU average on enterprises providing ICT training, 28% against 22%, which suggests employers are doing more of this work than the state is.

> *"Upskilling is a basic precondition. We ran a pilot which worked up to a point, in the way we did it. But we need to move to other approaches, much stronger ones."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

International recruitment: the channel that actually works. 12,400 third-country nationals and 4,100 other EU nationals in a broad technology workforce of 48,200. The Business Facilitation Unit made this operationally fast. It is the reason Cyprus has no aggregate technology headcount shortage, and it is the channel most exposed to housing costs and to the absence of Schengen membership.

> *"And certainly our relationships with other countries on talent mobility, to attract people, are extremely important. [...] Schengen is something we have to mention. Our accession to Schengen will help a great deal on all these issues."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

The strategic risk in this configuration is concentration. Cyprus has solved a workforce problem primarily through immigration, which works well while the destination remains attractive and stops working quickly when it does not. A domestic pipeline at 2.8% of graduates provides very little insulation.

13.12 How ICT occupations are changing

The talent analysis above assumes the roles being filled remain broadly the ones that exist today. Senior industry stakeholders question that assumption, and their view is neither the displacement narrative nor a claim that nothing changes.

The expectation is that conventional ICT job definitions blur, and that value migrates toward capabilities that are complementary to AI rather than substitutable by it: imagining AI-enabled products, specifying requirements precisely enough for AI systems to execute them, developing alongside AI tooling, customising AI-generated systems, managing AI agents and agentic workflows, and commercialising and scaling the result internationally.

If that assessment is correct it has two implications for this chapter. The first is that the pipeline problem is harder than a graduate-count target implies, because the required competencies are partly new and are not yet taught as such. The second is more encouraging: several of the emerging capabilities (product imagination, requirement specification, commercialisation) are not conventional computer science skills, which widens rather than narrows the pool of people who could plausibly enter technology work.

13.13 ICT literacy as a general competence

That last point connects to the longest-horizon recommendation to emerge from the qualitative research: that Cyprus needs to change how technology careers are perceived. Industry stakeholders argue that ICT is widely equated with programming, and that this equation deters people who would be capable in the roles the market is actually creating, including those who are not exceptional mathematicians or scientists.

The broader argument is that digital competence is becoming a general professional requirement rather than a specialist one. The example offered in the research is deliberately unglamorous: modern agriculture increasingly requires digital and data literacy, because technology and data are becoming embedded across sectors that have no obvious technology identity.

> *"A very important parameter is skills. And I am talking about basic skills, but I am talking about ICT specialists, the tech specialists."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

STRUCTURAL OPPORTUNITY **Cyprus's specialist pipeline problem (an estimated 120 annual graduates in data science, analytics and AI) is real and slow to fix. Its general ICT literacy problem is different in kind: 49.5% of the population has basic digital skills against an EU average of 55.6%, and 18.4% among those aged 55–74. Broadening who considers a technology career addresses both, and it is the only talent intervention in this report that operates on the whole labour force rather than on a narrow segment of it.**

Free training at scale, and the constraint that limits it

Alongside the formal pipeline, a substantial free training capability now operates nationally. Commissioner of Communications Marios Pieris indicates that approximately 9,500 people had received training free of charge at the time of interview, through a training centre running courses on an almost daily basis and addressing businesses, organisations, citizens, young people and those aged 65 and over.

The 9,500 figure is interview evidence and is not independently verified. Published figures from the associated national ICT Academy (more than 170 events and over 5,000 participants from more than 30 countries) are narrower in scope and are not directly comparable, since the interview figure appears to encompass the wider national awareness and training programme rather than the Academy alone. Both are reported; neither is treated as a national training statistic.

The stated design principle is that cybersecurity education should not be confined to ICT professionals but should extend from primary-school children to citizens aged 65 and over, with particular attention to older citizens as targets of online fraud, specifically phishing delivered by email and smishing delivered by SMS. That design intent aligns with the demographic weakness this report has already

measured: only 18.4% of Cypriots aged 55–74 hold at least basic digital skills, the group most exposed to precisely those techniques and least served by workplace training, which reaches people through employers they no longer have.

The constraint on this activity is not curriculum or capacity. It is employer willingness to release staff.

> Supervisory evidence identifies the hardest problem in national cybersecurity not as technology or funding but as persuading employers that the hours an employee spends in training are worth more than the hours spent at their desk.

This is the human factor, and it is where the report's quantitative and qualitative evidence meet most precisely. Chapter 11 records that 57% of Cypriot organisations name overreliance on traditional culture and work practices as the principal obstacle to transformation, against 31% citing internal expertise shortages: culture ahead of capability by a factor of nearly two. The same ordering governs security. An organisation can buy detection and response; it cannot buy the twenty minutes of attention that prevents an employee authorising a fraudulent payment. Free training that goes unattended is not a funding failure, and the marginal return on the next euro of national cybersecurity spending may well be higher in employer engagement than in technology.

> FOR EMPLOYERS **Security awareness training in Cyprus is already available, already free at the point of use and already running almost daily. The binding constraint is release time. For an organisation entering the regulated perimeter in October 2026, staff training hours are the cheapest compliance investment available and the only one that addresses the attack vector (people) that no product fully closes.**

14. Innovation, Startups and Funding

14.1 The ecosystem is genuinely the fastest-growing in the EU

Indicator	Value	Year
StartupBlink Global Startup Ecosystem Index	Fastest-growing in the EU, three consecutive years; 34th globally, up six places; growth 62.7%; ecosystem value $4.2bn	2026
Ecosystem growth since 2020	Approximately fivefold: see caveat below	2020–2026
Global Innovation Index rank	25th globally (27th in 2024); 2nd in region	2025
Unicorns	4 (3 in 2024)	2025
UN E-Government Development Index	38th of 193	latest
EU Open Data Maturity	95%, trend-setters; 5th–6th of 36	latest

Sources: StartupBlink 2026; WIPO Global Innovation Index 2025; European Commission Digital Decade Country Report 2026; UN DESA.

This is a real achievement and should not be diluted by the criticisms that follow. Cyprus has moved from a standing start to a recognised European ecosystem in roughly five years, and the trajectory is improving on every published index.

What the startup figures do and do not establish

Three of the figures above are repeated frequently enough in Cypriot policy discussion to warrant a note on what each rests on.

- **"Fastest-growing in the EU, three consecutive years" is accurate, and the qualifier matters.** StartupBlink's award is specific to the European Union. On its 2026 fastest-growing table Cyprus is ninth globally at 62.7% annual growth, behind five non-EU European countries: Moldova, Georgia, North Macedonia, Albania and Bosnia and Herzegovina. Any rendering of this as "fastest-growing in Europe" is an overstatement, and it appears in circulation. Cyprus's 2026 European rank is not published; the last published one was 27th in Europe in the 2024 edition.
- **The fivefold increase is an institutional claim measuring a flow, not a stock.** It originates with the Research and Innovation Foundation and National Chief Scientist Demetris Skourides, both of whom describe a fivefold rise in companies *entering* the ecosystem since 2020 rather than a fivefold rise in the number of startups. No 2020 baseline count is published, and current counts diverge by publisher: approximately 800 startups and scale-ups on the Foundation's own figure, 557 on StartupBlink's, and 178 funded startups on Dealroom's. This report uses the growth direction, which is well supported, and not the multiple.
- **Ecosystem value of $4.2bn is StartupBlink's index valuation**, not a market capitalisation or a transaction-based figure, and should not be compared with the gross value added figures used elsewhere in this report.

The absence of any published time series of Cypriot startup formation is itself a data gap. A country whose most-repeated innovation statistic is a multiple with no published denominator is not measuring its own ecosystem.

Capital and accelerator infrastructure built since 2023

Section 14.3 finds capital present at seed and absent at scale. Two institutions established since the last assessment go directly to that finding, and the Deputy Minister identifies both as deliberate interventions rather than market outcomes.

Table 14.1a: New capital and accelerator infrastructure

Institution	Scale and structure	Public role	Status
33East	€35m at second close (2026), from €26m at first close (2025). Two compartments: Acceleration €8m, tickets below €300,000, targeting around 25 companies over three to four years; Venture €27m, first tickets up to €1m, targeting around 15 investments.	€19m of the €26m first close came from the Cyprus Equity Fund, financed through the Recovery and Resilience Plan. 33East has managed the Cyprus Equity Fund since April 2023 and is the first Cyprus venture fund to receive European Investment Fund backing. Bank of Cyprus contributed €2m.	Active and investing
Plug and Play Cyprus	Three-month accelerator programme in Limassol, the first Cyprus programme of the Silicon Valley accelerator. Six programmes planned over three years, targeting approximately 60 startups and a contribution to more than 500 jobs. Verticals: fintech and regtech, gaming, social and leisure, shipping and energy. First cohort of ten announced August 2026.	Co-funded by the Republic through the Deputy Ministry of Research, Innovation and Digital Policy and the Research and Innovation Foundation, with corporate support from ASBIS, Tototheo Global, Mastercard and ECOMMBX.	Launched April 2026; first cohort completed September 2026

Sources: 33East; European Investment Bank; Cyprus Equity Fund; Plug and Play announcements, 2026. No budget figure has been published for Plug and Play Cyprus and none is stated here.

Both are the right interventions against the diagnosis in this chapter, and both are too small to close it. A €35m fund writing first cheques of up to €1m addresses the seed and pre-Series A layer, which section 14.3 finds is the layer that already functions. The gap identified there is at Series A and above, where Cypriot companies leave for capital rather than for markets, and neither institution is sized for that. Their value is in the second order: a locally domiciled fund with European Investment Fund backing establishes a track record and a reference point that later, larger funds can be raised against, and that is a three-to-five-year proposition rather than a 2026–27 one.

THE POLICY IS DELIBERATE, AND THE SCALE IS NOT YET MATCHED TO THE DIAGNOSIS **The Deputy Minister is explicit that startup growth in Cyprus is engineered rather than organic, through tax incentives, funding, accelerators, international partnerships and institution-building, and the evidence supports that characterisation. The instruments are well chosen for the formation layer. Neither they nor anything else currently in place addresses the scale-up capital gap, which section 14.8 quantifies and which remains the binding constraint on converting startup formation into companies of consequence.**

14.2 The research gap

Indicator	Cyprus	Benchmark	Year
Gross domestic expenditure on R&D	0.65% of GDP	EU 2.24%	2024
Government R&D budget (GBARD)	€150.61m	n/a	2024
Government R&D budget (GBARD)	€111.99m (−25.6%)	n/a	2025
GBARD as % of GDP	0.43%	EU 0.71%	2024
GBARD per inhabitant	€155.9	EU €284.7	2024
PCT patent applications	54.6% of EU average	EU 100	2025
Design applications per billion GDP	36.0% of EU average	EU 100	2025
Intellectual assets (composite)	101.8% of EU average	EU 100	2025
Employment in high/medium-high tech	14.6%	EU 38.1%	2024

Sources: Eurostat R&D expenditure statistics; Eurostat GBARD (August 2026); European Innovation Scoreboard 2025 Cyprus country profile.

Two findings sit inside this table and both deserve emphasis. First, Cyprus's research intensity is third-lowest in the Union at a moment when its ICT sector is among the highest by output share. Second, government research budget allocations fell 25.6% in 2025, from €150.61m to €111.99m, in the same year the technology sector reached 16.2% of GDP. The long-run trend remains strongly positive: 2025 allocations were 87.7% above 2015. But the direction in the single most recent year runs against the sector's momentum, and the report has found no published explanation for it.

> **Cyprus attracts intellectual property ownership more successfully than it generates intellectual property. The IP Box regime delivers an effective rate near 3% on qualifying IP income; patent applications run at 54.6% of the EU average and design applications at 36.0%, while the composite intellectual assets score sits at the EU average: Cyprus registers IP roughly normally and creates comparatively little.**

A necessary qualification: Malta shares both characteristics: high ICT output share and near-lowest EU research intensity. This suggests a structural feature of small EU domicile economies with relocated technology sectors rather than a Cyprus-specific policy failure. The remedy is correspondingly structural: research intensity will not rise because firms are exhorted, but because instruments are created that make research in Cyprus economically rational for firms already located there.

14.3 Capital: present at seed, absent at scale

Indicator	Value	Year
Record annual startup funding	€85.5m	2021
33East Venture Capital Fund I first close	€26m: first Cyprus vehicle backed by the European Investment Fund, alongside the government-backed Cyprus Equity Fund and private investors including Bank of Cyprus	Jan 2025
Disclosed startup funding, January–April	≈€12m across 7 deals	2026
Bank of Cyprus lead investment in Wealthyhood	€6m; co-branded investing app launched Jul 2026	2026
Angel investor tax incentive	In place since 2017, extended twice, scheduled to expire end-2026	2026
Comparator: Tallinn early-stage VC per capita	3rd globally	2026

Sources: Dealroom; 33East; Cyprus financial press; Dealroom Global Tech Ecosystem Index 2026.

The Cyprus funding picture in 2026 is better than at any previous point and still structurally incomplete. Seed and pre-seed capital now genuinely exists: 33East's €35m first fund, EIF-backed and targeting pre-seed and seed founders with a genuine Cyprus connection, is a qualitative change from a market previously dependent on public grants. Bank participation, crowdfunding platforms and an angel network have broadened the base. Public grant funding flows through the Research and Innovation Foundation, and schemes including THALIA, INNOVATE and DISRUPT target SMEs and startups.

> *"I think funding is one of the pain points, one of the things we need to strengthen. Here, in the ecosystem, I think one of the things we lack is funding [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> **Cyprus has startup funding. It does not have scale-up funding. A €35m first fund is the right instrument at the right stage, and it is roughly the size of a single European Series B round.**

Testing the hypothesis the brief asked us to test: the evidence supports it. Available ticket sizes are structurally too small to allow promising Cypriot technology businesses to scale internationally from Cyprus. A company that raises seed capital domestically and then needs €15–40m to expand will raise it abroad, and in raising it abroad will typically relocate its centre of gravity, its cap table and eventually its headquarters. The four unicorns Cyprus counts are not counter-evidence; they are evidence of what the domestic market can produce, not of what it can finance to maturity.

One near-term risk deserves flagging. The angel investor tax incentive, in place since 2017 and already extended twice, is scheduled to expire at the end of 2026, the same moment as half the Digital Decade roadmap measures. Allowing it to lapse would remove a functioning instrument from the thinnest part of the capital stack at precisely the wrong time.

14.4 Research infrastructure and commercialisation

Cyprus has universities with genuine specialisations (the University of Cyprus, Cyprus University of Technology and University of Nicosia among them), the last with a long-established position in blockchain and digital currency education. Centres of Excellence have expanded, several with international recognition. What is largely absent is the transmission mechanism between research and market.

> *"[…] to support something we lack, which is linkage, better linkage between the research activity under way and the results we have, and actual startups and products. We have very good results, but we see our researchers at the universities finish one project, drop it and pick up the next. Winning another grant becomes an end in itself. But slowly, and with the spin-off law, a momentum is being created […]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

University of Nicosia analysis states this directly: Cyprus has universities, scientific talent, international collaborations and a favourable business environment, but does not yet have a fully functioning chain from research to market. The recommended architecture is specific: organic university-business connection, research outputs with a pathway to patents and spin-offs, SMEs with the absorptive capacity to use technology, and state programmes evaluated by measurable productive impact rather than by absorption of funds. We endorse this framing and build it into the recommendations in Chapter 23.

14.5 The full funding architecture

Cyprus technology financing operates across seven layers, and the depth is highly uneven between them.

Layer	Instruments available in Cyprus	Depth
Grants and public research funding	RIF schemes including THALIA (€30m), INNOVATE and DISRUPT; Future Founders Academy (Aug 2025)	Adequate for early-stage validation
Angel investment	Angel network; tax incentive in place since 2017, scheduled to expire end-2026	Functioning but at risk
Crowdfunding	Crowdbase and comparable platforms	Emerging; small ticket sizes

Layer	Instruments available in Cyprus	Depth
Pre-seed and seed venture	33East Fund I (€35m, EIF-backed, with the Cyprus Equity Fund and Bank of Cyprus)	Genuine and new: the most important change of the past two years
Series A	Limited domestic capacity; typically foreign-led	Thin
Series B and growth capital	Effectively absent domestically	The gap
Bank lending and venture debt	Bank of Cyprus and Eurobank active in startup and innovation financing; BoC led a €6m investment in Wealthyhood	Improving; not a substitute for equity at scale

European instruments sit alongside these: the Recovery and Resilience Facility (€300m digital component), Cohesion funds (€100m digital), Horizon Europe, Digital Europe, InvestEU, and European Investment Fund and European Investment Bank activity, the latter including a €19m facility to Epic for fibre deployment. The EIF's backing of 33East is strategically the most significant of these, because it establishes the institutional precedent for a larger successor vehicle.

The primary research adds one qualification that sharpens rather than softens this picture. Neither survey instrument asked directly about access to finance, funding ticket sizes or scale-up capital, so there is no quantitative demand-side or supply-side measure of the funding constraint in this research. That is itself a finding about the sector's evidence base. What the vendor instrument does show is the funding mix on the delivery side: all vendors reported private-sector funding accounting for a mean 75% of the funding for ICT projects undertaken for clients, with government funding at a mean 21% and EU structural funds at 13% among the vendors reporting any. Project financing in the domestic supplier layer is overwhelmingly commercial.

> STRUCTURAL CONSTRAINT **The funding problem in Cyprus is not primarily one of access. Grant schemes, an angel network, crowdfunding platforms and a first EIF-backed seed fund all exist. The problem is ticket size: the largest domestic vehicle is €35m in total, roughly one European Series B round, which caps the scale at which a Cypriot technology company can grow before it must raise abroad, and typically relocate with the capital.**

14.6 SME digital transformation funding

The funding analysis above concerns technology companies raising capital. A distinct and, in aggregate, larger funding question concerns the rest of the economy: whether Cypriot SMEs can finance their own digital transformation. Cyprus is overwhelmingly an SME economy: small and medium enterprises generate 77.7% of business economy value added and employ 84.1% of the workforce, with the average SME employing 3.8 people, and firms of that size rarely fund modernisation from retained earnings.

> *"In parallel, the digitalisation of small and medium-sized businesses and our effort to provide schemes [...] and we are also considering other such schemes, mainly for AI [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> *"SMEs need a push. They need funding in order to invest in Digital Transformation."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

The criticism from industry is precise and worth separating from a general complaint about availability. Schemes exist; the objections are that the value of individual awards is insufficient to fund

meaningful transformation, that the total allocated to digital transformation is small relative to the scale of need, and that schemes are frequently delayed. This is the same structural pattern the report identifies in venture funding (instruments present, ticket sizes too small), reproduced at the opposite end of the economy.

> STRUCTURAL CONSTRAINT **The Cyprus funding problem is consistent across every tier: seed capital, growth capital and SME transformation grants all exist and all operate at a scale below what the task requires. This is a design question about ticket size and speed, not an access question, and it should be addressed as one.**

The demand-side evidence gives this weight. Reducing costs is the second-ranked internal challenge for Cypriot organisations at 61%, and cost is the leading reservation about public cloud at 53%. An SME base for which cost is the dominant constraint, facing a compliance deadline in October 2026 and an advanced-technology adoption gap, is unlikely to self-finance the transition at the pace policy assumes.

14.7 Innovation is not the bottleneck

A distinction drawn consistently in the qualitative research qualifies the innovation analysis in this chapter. Industry participants assess the Research and Innovation Foundation's work positively and consider that Cypriot businesses are producing genuinely innovative solutions. The structural weakness, on this assessment, appears after the innovation is created.

> *"A pillar for us, execution. The pillar is the RIF, the Research and Innovation Foundation, which is chaired by the Chief Scientist [...] they do very good work in structuring the programmes [...] to support the whole journey of startups, from inception to their scale-up [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

> *"The innovation is there. What needs work is taking it one step further."*
>
> Senior ICT industry stakeholder, interview for this study, 2026

The capabilities identified as missing are international market access, commercial scale-up support, export channels, international visibility, follow-on support once innovation grants conclude, and mechanisms for taking proven technology beyond Cyprus. Each of these is a commercialisation function rather than a research one.

> ANALYTICAL FINDING **Cyprus's innovation constraint is increasingly located downstream of invention. The bottleneck is commercialisation and internationalisation, not innovation creation, which reframes the policy question from how to generate more ideas to how to take proven ones to market beyond a domestic economy of roughly €1.7bn addressable ICT demand.**

This qualifies, without contradicting, the research-intensity finding elsewhere in this chapter. Gross domestic expenditure on R&D at 0.65% of GDP and patent applications at 54.6% of the EU average remain genuine weaknesses at national level. The industry assessment concerns a different stage: firms that have already innovated and cannot scale the result. Both constraints are real, they bind at different points, and they require different instruments: research capacity for the first, export and growth capital for the second.

> *"[...] the challenge for the startup ecosystem, apart from funding and the structures I mentioned, is also externalisation, globalisation [...] that is, to have access to other ecosystems. [...] we are making agreements, you will see many MoUs, with mature ecosystems [...] to connect those ecosystems and their practices with us, who are still emerging, even though we now have substance as an ecosystem."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

14.8 Quantifying the scale-up gap

The gap can be stated arithmetically. A Cypriot technology company that validates a product with RIF grant support, raises a seed round from 33East or an angel syndicate, and then requires €15–40m to expand internationally faces a domestic market in which the largest available fund is €35m in total, not per deal. Total disclosed startup funding in Cyprus was approximately €12m across seven deals in the first four months of 2026, and the record year on Dealroom's series was €85.5m in 2021.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister regards a strong startup ecosystem as necessary to sustain the technology sector, and describes its growth as supported by government through the 33East VC fund, Plug and Play Cyprus and recently legislated funding initiatives, with the Research and Innovation Foundation supporting startups from inception to scale-up. He identifies funding, research commercialisation and internationalisation as the ecosystem's principal weaknesses.**

For comparison, Estonia, a country of comparable population, leads Europe on startups, unicorns and investment per capita, with Tallinn ranked third globally for early-stage venture capital per capita. The comparison is not intended as a reproach: Estonia built that position over two decades with a deliberate strategy. It is intended to establish that small population size is not the explanation for Cyprus's funding depth.

The scale-up gap does not cause Cypriot technology companies to fail. It causes them to succeed somewhere else. A company that raises €20m abroad typically shifts its cap table, its board, its senior hiring and eventually its headquarters to the jurisdiction that provided the capital. Cyprus then loses the value it created, and records it as a successful exit.

The instrument required is well understood and has a working precedent in the country itself. The EIF has already anchored one Cyprus fund; a successor vehicle at €100m or above, anchored on the same basis with government and institutional participation, would place Cyprus in the Series A to early Series B range. That is Chapter 23's medium-term recommendation and it is the single highest-leverage financial intervention identified in this study.

15. Government, Policy and Procurement

15.1 The policy architecture

Instrument	Scale	Status
Digital Decade national roadmap	62 measures, €0.98bn (2.96% of GDP)	50% of measures expire end-2026
Recovery and Resilience Plan, digital component	€300m	5th payment partially disbursed Mar 2026
e-government	> €170m	In delivery
ultra-fast connectivity	€53m	In delivery
smart cities	€35m	In delivery
digital skills	€24m (20,000 individuals targeted)	In delivery
Cohesion funds, digital share	€100m	In delivery
DMRIDP annual budget 2026	€172.86m (+3.2%)	Approved
Pharos-CY AI Factory Antenna grant scheme	€6m	State aid cleared 17 Jul 2026
Digital Strategy for Cyprus	2020–2025	Expired: successor status unclear
Digital Skills National Action Plan	2021–2025	Expired: successor status unclear

Sources: European Commission Digital Decade Country Report 2026; DMRIDP budget presentation October 2025; State Aid Control Commissioner decision July 2026.

15.2 Tax policy: the 2026 reform

Cyprus enacted its most comprehensive tax reform in more than two decades on 22 December 2025, effective 1 January 2026. The headline change is the corporate income tax rate rising from 12.5% to 15% to align with the OECD Pillar Two global minimum tax.

Element	Before 2026	From 2026
Corporate income tax	12.5%	15%
IP Box effective rate on qualifying IP	≈2.5%	≈3.0%
Special Defence Contribution on dividends	17%	5% (Cyprus-domiciled residents only)
Loss carry-forward	5 years	7 years
Deemed dividend distribution	In force	Abolished
Notional Interest Deduction	In force	Retained
Non-domicile regime	In force	Retained
Withholding tax on outbound dividends	0%	0%

> **The headline corporate rate rise matters far less than it appears. Every structural attribute that made Cyprus attractive to technology companies (the IP Box, zero withholding on dividends, the non-domicile regime, notional interest deduction) survived intact. The IP Box effective rate moved by half a percentage point.**

The strategic reading is that Cyprus has absorbed the international minimum tax transition without material damage to its relocation proposition. The competitive question shifts accordingly: with tax differentials compressing across the EU under Pillar Two, Cyprus's future advantage must rest increasingly on non-tax factors (talent access, connectivity, regulatory speed, cost of living and quality

of life), which is precisely where the housing and energy findings in Chapter 13 become strategically material rather than merely social.

> *"[...] it is not only because the tax incentives exist, which we make sure remain active. [...] some people try to say that corporate tax went up, so companies will no longer come. There is no such indication."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

15.3 Procurement: the bottleneck

Government is simultaneously the market's largest single institutional buyer, at approximately €276m across central government, health and education, and one of its principal constraints. The evidence for the constraint is partly direct and partly inferential, and we are explicit about which is which.

GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister describes public-sector digitalisation as a pillar that drives the digitalisation of businesses and creates opportunities for technology companies to sell services. He says the focus on digitalisation is intensifying, that the Recovery and Resilience Plan devotes well above the European average to digital, and that SME digitalisation schemes generate further demand, with additional schemes under consideration, mainly for AI.**

Direct evidence: the European Commission's 2026 recommendation to Cyprus is to accelerate the implementation of the strategy for digitalisation of public services and prioritise seamless and inclusive access. E-health records are accessible online but a national mobile health application remains under development, with the Commission recommending fast-tracking. The G-Cloud hybrid government cloud tender closed for bids on 31 October 2025 and its award status is not publicly confirmed. The fifth Recovery and Resilience Facility payment was only partially disbursed in March 2026.

Inferential evidence: US Department of Commerce commercial guidance notes growing demand for software, services and platforms, with tenders published on the government e-procurement portal, a market description consistent with an active but slow-moving buyer. University of Nicosia analysis warns that European programmes are often treated as a cycle of projects, tenders, payments and compliance, administratively necessary but strategically insufficient.

The primary research quantifies both halves of this proposition, and the juxtaposition is striking. Government is commercially material to the domestic supplier layer: nearly all surveyed vendors derived revenue from government clients at a mean 22.5% of total revenue among those reporting, and all reported that government funding accounted for a mean 21% of the funding for the ICT projects they undertake. Yet when the same vendors were asked which factors will have the most impact on ICT spending by organisations in Cyprus, not one selected government support and incentives, the only factor in a list of ten to receive no selections.

SUPPLY-SIDE SIGNAL **A customer providing roughly a fifth of sector revenue is rated by its own suppliers as contributing nothing to market stimulus. As a directional finding this is indicative rather than conclusive, but the direction is consistent with the procurement velocity constraint, and it suggests the current incentive architecture is not perceived as a market-shaping instrument by the firms best placed to respond to it.**

Demand-side evidence is more moderate: 26% of end-user organisations expect government support and incentives to influence ICT spending, placing it fourth of ten factors. Buyers therefore see more potential in public support than their suppliers do, a divergence worth noting, and one that points to communication and programme design rather than to budget.

The qualitative research is considerably blunter than the documentary evidence, and describes public technology procurement as a broken machine. The central objection is one of timescale: a procurement cycle measured in years is structurally incompatible with technology cycles measured in months.

> *"The public sector is a category of its own. It is a broken machine that different ministers are trying to repair."*
>
> George Malekkos, President of CITEA, interview for this study, 2026

The mechanism by which delay destroys value is specific. Over a three-to-four-year cycle the technology specified may be superseded, original specifications become obsolete, implementation costs rise as solutions are redesigned, and the opportunity for Cyprus to act as an early adopter is lost. One industry participant described an innovation project that took approximately two and a half years to secure approval, during which the underlying technology changed repeatedly and the solution required successive redesign, generating an estimated €500,000 of additional cost.

> *"A project we won took two and a half years just to be approved. By the time the technology had changed, and we ended up rebuilding it four times. That delay cost us an additional half a million euros."*
>
> George Malekkos, President of CITEA, interview for this study, 2026

The two-and-a-half-year timeline and the €500,000 figure are a single interviewee's account of one project. They are reported as an illustrative industry example and are not a national market statistic, nor have they been independently verified.

STRUCTURAL CONSTRAINT **Procurement duration is not a bureaucratic inconvenience in technology markets; it is a value-destruction mechanism. A cycle long enough for the specified technology to change converts a procurement into a redesign, and the state pays for both.**

The problem is identified as becoming acute specifically in relation to artificial intelligence, where the rate of technological change is fastest.

Independent implementation structures

The corresponding policy proposal from industry is that major technology priorities should not depend exclusively on conventional ministry processes. The suggestion is the establishment of independent expert committees or implementation structures, with government retaining accountability and oversight, on the grounds that such bodies could reduce bureaucracy, preserve continuity across changes of minister or administration, accelerate decision-making, establish clear implementation responsibility and prevent strategies from remaining documents.

This report does not evaluate the constitutional or governance merits of that proposal, which fall outside its scope. It does note that the underlying diagnosis (strategy documents outpacing implementation machinery) is independently supported by the evidence in this chapter: two foundational digital strategies expired at the end of 2025 without publicly confirmed successors, half the Digital Decade roadmap measures expire at the end of 2026, the G-Cloud award remains unconfirmed, and the national AI strategy defers its sovereign infrastructure funding plan to 2028. The proposal responds to a documented pattern rather than a perceived one.

> **Government is simultaneously one of the ICT market's largest opportunities and one of its largest bottlenecks. The constraint is not budget, which is rising, nor ambition, which is documented. It is procurement velocity and the design of tenders around legacy specifications rather than outcomes.**

Data gap: no consolidated public-sector ICT expenditure series is published, and e-procurement award data has not been systematically analysed for this edition. Both are recommended for future work.

15.4 The strategy stack, assessed

Cyprus has produced a dense layer of digital strategy documents over six years. Assessing them individually matters less than assessing the stack, because the pattern is what reveals the weakness.

Strategy	Period	Status and assessment
Digital Strategy for Cyprus	2020–2025	Expired. Set the framework for e-government, digital economy, connectivity, skills and security. Successor status not publicly confirmed.
Digital Skills National Action Plan	2021–2025	Expired. Four target groups: general population, public and private workforce, ICT professionals, students. Successor status not publicly confirmed.
National AI Strategy (original)	2020	Superseded. Issued by the Department of Electronic Communications.
National Digital Decade Strategic Roadmap	2023–2030	Active. 62 measures, €0.98bn, but 50% of measures expire end-2026.
Recovery and Resilience Plan (Cyprus Tomorrow)	2021–2026	Terminal phase. Digital component €300m; fifth payment partially disbursed March 2026.
National AI Strategy (new)	2026–	Active. Sovereign AI infrastructure roadmap, governance and funding deferred to 2028.
National Broadband Plan	Ongoing	Objectives substantially achieved; gigabit for all homes and businesses by 2030 remains the target.

> **Two of Cyprus's foundational digital strategies expired at the end of 2025 without publicly confirmed successors, and half the measures in the active roadmap expire at the end of 2026. The strategy stack is not thin: it is expiring.**

A second pattern is equally consequential. The strategies are strong on objectives and measures and weak on published delivery evidence. The exception proves the point: a January 2026 update on a separate programme of 50 commitments reported 38 met, which is precisely the kind of verifiable reporting absent elsewhere. Independent commentary has specifically criticised the new AI strategy for lacking such a tracker, and for the absence of a financing principle beyond aligning budget allocations with performance goals agreed between the Ministry of Finance and the Deputy Ministry.

Institution-building, and the supervisor as a capacity constraint

The strategy stack assessed above is an instrument inventory. It says what government intends to do and how much money is attached, but not whether the institutions expected to deliver it are staffed to do so. In cybersecurity, the one policy area in this report where a hard statutory deadline falls inside the forecast period, that question has a measurable answer, and it is uncomfortable.

The supervised population expands from approximately 60 to approximately 520 entities, as Chapter 11 sets out. The national coordination centre responsible for the education, awareness and funding side of that expansion consisted of approximately six people at the time of interview, according to Commissioner of Communications Marios Pieris, against a planned recruitment of 24 additional

permanent staff for the wider Authority. Even assuming full and timely recruitment, the ratio of supervised entities to supervisory staff is moving in one direction and the capability build described in Chapter 11 (offensive testing, defensive support, forensics, malware analysis, threat intelligence and embedded legal expertise) is being stood up at the same time.

> THE CONSTRAINT NOBODY BUDGETED **Cyprus has legislated an approximately nine-fold expansion of its supervised cybersecurity population and is building six new specialist capabilities inside the supervising authority, concurrently, with a coordination function of around six people and 24 planned hires. The risk to the October 2026 deadline is not that entities refuse to comply. It is that neither the supervisor nor the domestic provider base has the specialist headcount to process 520 compliance relationships in the time available.**

Staffing figures are drawn from supervisory evidence and published Authority statements respectively and have not been reconciled to a single reference date. They are used to establish the order of magnitude of the supervisory-capacity question, not to score institutional performance.

Two policy conclusions follow, and they point in the same direction as the procurement analysis earlier in this chapter. First, supervisory capacity is a precondition for regulatory benefit: a compliance regime that cannot be administered produces cost without resilience, and the cheapest way to raise effective capacity is to accredit private capability rather than replicate it, the reserve proposition discussed in Chapter 11. Second, cybersecurity modernisation and digital transformation of government cannot be sequenced separately. The legacy estate that makes public-sector modernisation slow is the same estate that carries the security exposure, and supervisory evidence is explicit that work on older government systems is proceeding alongside the Deputy Ministry's wider transformation programme rather than after it. This report found no evidence that legacy exposure across government has been resolved, and does not assume it.

One institutional fact makes this sharper than it first appears, and it is not stated anywhere else in the public discussion of NIS2 in Cyprus. The Digital Security Authority is not a free-standing agency. It operates under the Commissioner of Communications, and the same Commissioner is the Office of the Commissioner of Electronic Communications and Postal Regulation, the economic and technical regulator for the telecommunications and postal markets. One office therefore holds, simultaneously, the sector regulation of electronic communications, the national cybersecurity supervisory function under NIS2, and the National Cybersecurity Coordination Centre.

Table 15.4a: One office, three mandates

Function	Statutory identity	Population supervised
Electronic communications and postal regulation	Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR / ΓΕΡΗΕΤ)	Four retail communications providers plus postal operators; market statistics published semi-annually
National cybersecurity supervision	Digital Security Authority (Αρχή Ψηφιακής Ασφάλειας), under the Commissioner per Law 89(I)/2020 as amended by Law 60(I)/2025	Expanding from approximately 60–70 entities to approximately 520–600
National coordination, funding and awareness	National Cybersecurity Coordination Centre (NCC-CY), with the Research and Innovation Foundation	All Cypriot SMEs and the national cybersecurity community; approximately six people at the time of interview

Sources: Digital Security Authority organisational structure; Office of the Commissioner of Electronic Communications and Postal Regulation; Law 89(I)/2020 and Law 60(I)/2025; qualitative research for this study, 2026.

> WHY THIS COMPOUNDS THE CONSTRAINT **The office absorbing an approximately nine-fold expansion in supervised entities is not a new body created for the purpose. It is the existing telecommunications and postal regulator, whose prior duties have not been reduced. The 24 planned hires and the roughly six-person coordination function are being added to a standing regulatory workload, not to a blank sheet, which is why supervisory capacity, rather than employer willingness, is the variable this report watches into October 2026.**

There is a second-order consequence worth noting for the telecommunications vertical specifically. Cypriot operators are economically regulated and cyber-supervised by the same Commissioner. That is efficient (the office already holds deep technical knowledge of the networks it must now also secure), and it concentrates a great deal in one institution. Chapter 10 records telecommunications as carrying 19% of reported national incidents against a smaller share of modelled spend; that exposure sits with the regulator best placed to understand it and with no separate body to check the judgement.

15.5 What government buys, and how

The Deputy Ministry's 2026 development budget of €102.80m, up 13.8%, is the visible core of public technology procurement, but it is not the whole. Line ministries, semi-government organisations, the health system, education and local government all procure independently, and no consolidated series is published. Our model estimates total public ICT expenditure at approximately €276m, against which the Deputy Ministry's total 2026 budget of €172.86m represents 62.7%.

> *"The progress, or rather our emphasis, as regards the digitalisation of the public sector. Because it is a pillar that drives the digitalisation of businesses too [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

The procurement instruments are conventional: tenders published through the national e-procurement portal, with US Department of Commerce commercial guidance noting growing demand for software, services and platforms alongside increased cybersecurity requirements in both public and private sectors. What is largely absent is innovation procurement: pre-commercial procurement, competitive dialogue and outcome-specified rather than requirement-specified tendering. For a state that is both the largest single buyer and the sponsor of an innovation strategy, this is a missed instrument.

Municipal reform, effective from 1 July 2024, created larger municipalities that intend to implement smart city solutions, supported by €35m under the Recovery and Resilience Plan. This introduces a new tier of public buyer with limited procurement capacity, an opportunity for suppliers and a risk for delivery.

15.6 Public digitalisation as an ICT demand driver

This chapter has treated government as a buyer and as a source of procurement friction. Deputy Minister Nicodemos Damianou frames it a third way, and the framing is analytically useful enough to adopt: public-sector digitalisation is not only an administrative reform but a demand instrument, operating through two distinct channels with different beneficiaries.

Table 15.6: Two channels from public digitalisation to ICT demand

Channel	Mechanism	Who benefits	Where measured
Direct procurement	Government buys software, platforms, systems integration, cloud, cybersecurity, consulting and infrastructure to digitise its own services	Suppliers able to win public contracts, disproportionately domestic integrators, since procurement favours local presence, language and regulatory familiarity	Chapters 10 and 15; modelled public ICT spend of approximately €276m
Induced adoption	Citizens and businesses transacting digitally with the state become habituated to digital channels, raising the baseline expectation of digital service everywhere else	The whole supplier market, indirectly and with a lag	Not separately measurable

Source: our analysis, developed from policy evidence gathered for this study, 2026.

The first channel carries a proposition about domestic suppliers that this report has not previously stated. The Deputy Minister describes public-sector digitalisation as creating substantial activity that Cypriot technology companies can compete for, in effect a market segment in which domestic firms are not competing head-on with relocated international companies for the same work. The logic holds. Section 8.4 records that the most valuable customers physically present in Cyprus are among the least likely to buy from Cypriot suppliers; the public sector is the large buyer where that pattern does not apply, because procurement requires local establishment, Greek-language delivery, regulatory familiarity and, increasingly, data residency.

> *"[...] if you look at the activity generated by the public sector in recent years, and it will continue [...] because, as you saw, our focus on digitalisation is intensifying [...] there are many funds and many [...] that they can compete for, created by the public sector."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

THE COUNTERWEIGHT TO THE ENCLAVE PROBLEM **Public procurement is the principal domestic market in which Cypriot ICT firms hold structural advantage rather than competing on price against international suppliers. That makes procurement reform (the subject of section 15.3 and the most consistently criticised element of the policy machinery in this study's primary research) a domestic industrial policy question and not merely an administrative one. Every month added to a procurement cycle is a month of demand withheld from the one segment where domestic providers can win.**

The recovery funding behind it, quantified

Policy evidence puts the digital share of Cyprus's Recovery and Resilience Plan at approximately 29%, worth more than €300m, against an EU minimum of around 20%. Verification confirms the substance and corrects the figure upward.

Item	Published position
Digital share of the Cyprus plan	30.03%, against the interviewee's approximately 29%

Item	Published position
Climate share	42.09%
Recovery and Resilience Facility grants	€1,020,223,681
Loans	€200,320,000
Total estimated cost of the plan	€1,220,971,974
Implied digital allocation	Approximately €306m on grants, or approximately €367m on the total plan cost. The euro amount is not published directly.
EU minimum digital target	20%, under Article 18(4)(f) of Regulation (EU) 2021/241, confirming the comparison the interviewee drew

Sources: European Commission, Cyprus Recovery and Resilience Plan country page; Council Implementing Decision ST-17052-2024; Regulation (EU) 2021/241.

The digital share has moved across plan revisions: earlier official figures of 23%, 24.6% with €274m and a 25% digital target all appear in Commission and Council documents. The 30.03% figure is the current published position and should be cited with its reference date. The interviewee's 29% is close to current and matches no published vintage exactly.

Cyprus has therefore allocated half as much again as the Union requires to digital measures, and the absolute sum is large relative to the domestic market: roughly €306–367m of recovery funding tagged digital, against a total addressable domestic ICT market this report sizes at €1.70bn centrally. The relevant caution is the one Chapter 16 develops at length. Recovery and Resilience Facility delivery enters its final phase inside the forecast period, and a demand driver of this scale reaching its end date in the same window as the Digital Decade roadmap expiry is the sequencing risk this report treats as its most immediate, rather than a durable structural support.

SME digitalisation schemes: the second-order demand mechanism

A third instrument works indirectly. The Deputy Minister describes schemes funding digitalisation among SMEs and identifies the mechanism plainly: a government grant leads an SME to purchase technology, and an ICT supplier receives the demand. The scheme is real and its parameters are published.

Parameter	Detail
Scheme	Scheme for the Digital Upgrade of Enterprises, Service of Industry and Technology, Ministry of Energy, Commerce and Industry
Total budget	€30m across the 2021–2027 programming period, co-financed through THALIA and the European Regional Development Fund, matching the interviewee's figure
Calls	€10m opened November 2022 and exhausted the same day; €10m in March 2023; €14m from May 2025, incorporating unallocated first-call funds
Grant per enterprise	Minimum eligible budget €5,000; maximum grant €50,000, raised to €70,000 in the 2025 call
Funding rate	50% standard, 60% in mountainous and disadvantaged areas for the 2022–23 calls, raised to 70% in the 2025 call
Enterprises supported	Not published

Sources: THALIA 2021–2027; Ministry of Energy, Commerce and Industry; Cyprus funding programmes portal. Call budgets are not additive, since the 2025 call recycles unspent first-call funds.

Two observations follow. The first call exhausting its €10m budget on the day it opened is the strongest single indicator in this report of latent, unfunded SME demand for digitalisation, and it sits directly alongside the finding that Cypriot SMEs have cleared the basic digital bar ahead of Europe but

stall at the advanced step. The second is that the number of enterprises supported is not published, which means the scheme's core claim, that grants convert into supplier demand, cannot be verified at any level of detail.

16. The End-2026 Policy Cliff

This chapter exists because the finding is time-sensitive and, as far as this study can establish, is not being publicly discussed.

16.1 What expires

Item	Scale	Date
Digital Decade roadmap measures expiring	50% of 62 measures; €117m public funding; 16% of total budget allocation	31 Dec 2026
Angel investor tax incentive	In place since 2017, extended twice	End 2026
Digital Strategy for Cyprus 2020–2025	Successor status unclear	Already expired
Digital Skills National Action Plan 2021–2025	Successor status unclear	Already expired
Recovery and Resilience Facility	Final delivery phase; 5th payment partially disbursed Mar 2026	2026 delivery year
NIS2 organisational compliance deadline	Enforcement begins	Oct 2026
EU AI Act high-risk obligations	Become mandatory	2 Aug 2026

Sources: European Commission Digital Decade Country Report 2026; Cyprus financial and legal press; EU regulatory instruments.

16.2 Why this matters

Four things converge in a single quarter. Half of the national digital roadmap's measures lapse. The Recovery and Resilience Facility enters its terminal delivery phase with milestones outstanding. The angel investor incentive, operating at the thinnest point in the capital stack, is scheduled to expire. And two major compliance regimes become enforceable, imposing costs on precisely the SME population that the expiring support measures were designed to help.

> **Cyprus faces a compressed delivery window on two fronts simultaneously, at the same moment its enterprise base absorbs two new compliance burdens and its thinnest funding instrument is scheduled to lapse. No successor programme is in public view.**

The Commission's framing is that 2026 is a year of execution rather than planning, and that Recovery and Resilience Facility milestones are the mechanism through which financing converts to reform rather than bureaucratic detail. We would put it more sharply: the fourth quarter of 2026 is the point at which Cyprus either has a successor digital programme, a renewed angel incentive and completed RRF milestones, or it enters 2027 with materially less policy capacity than it had in 2025.

16.3 Recommended response

This is the most immediately actionable finding in the report and the recommendations are correspondingly specific. They appear in full in Chapter 23 under the immediate horizon, but in summary: publish a successor digital strategy before the roadmap measures lapse; extend the angel incentive for a defined further period with an evaluation requirement attached; publish a delivery tracker for the AI strategy and the successor digital strategy on the model of the existing 50-commitment tracker that reported 38 met in January 2026; and pair NIS2 enforcement with an SME compliance support scheme, because imposing a new obligation on the mid-market in the same quarter as withdrawing support instruments is an avoidable sequencing error.

> *"There is a new strategy. The public consultation has finished. We are in the evaluation phase. […] And to start the planning."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

17. Cyprus as a Regional Technology Hub

17.1 The honest proposition

Cyprus's hub ambition is frequently stated in general terms. The evidence supports a specific version of it and does not support others, and distinguishing between them is more useful to investors and policymakers than promotional framing.

> GOVERNMENT POSITION: DEPUTY MINISTER NICODEMOS DAMIANOU **The Deputy Minister holds that Cyprus can now speak meaningfully, and with results, about the hub objective, because the economy, the business environment, digitalisation and the ecosystem layers are in place. He argues that geostrategic position and tax incentives are not enough on their own: the country needs partnerships and international standing, built through bilateral relations driven by the President and the Minister of Foreign Affairs.**

What Cyprus credibly offers: European Union membership with the eurozone and the single market; a strategic position at the junction of Europe, the Middle East and North Africa; approximately ten submarine cable systems with BlueMed landed and the East Med Corridor entering service, positioning Cyprus alongside Greece as the EU's East Data Gateway; complete 5G and near-complete gigabit coverage; a corporate tax rate of 15% with an IP Box effective rate near 3% and zero withholding on outbound dividends; an English-language business environment with English common-law-derived commercial practice; a fast-track relocation mechanism that can establish a foreign-interest company employing third-country nationals in weeks; and a demonstrated ability to absorb geopolitical shocks.

> *"It is driven by the emphasis of the President and the Minister of Foreign Affairs on building such bilateral relations. […] if you do not have a good bilateral relationship with Egypt […] or with India, or with Kazakhstan, where it was the first time we have had such relations […] you cannot simply go and tell them, come, let us cooperate in the technology sector […] we are talking about countries that have enormous strengths, and we can gain a great deal."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

What Cyprus does not credibly offer: hyperscale compute, given the EU's second-highest electricity prices and a small isolated grid; deep scale-up capital, where the largest domestic fund is €35m; a large domestic market, at approximately €1.7bn addressable; or research depth, at 0.65% of GDP.

17.2 The regional competitive position

Dimension	Cyprus	Competing locations
EU membership	Yes: with eurozone and single market	Israel, UAE: no. Greece, Malta: yes
Corporate tax	15% headline, ~3% IP Box	Ireland 12.5%; UAE 9%; Malta effective ~5%
Talent immigration speed	Weeks via BFU	Generally slower in EU peers; UAE comparable
Submarine connectivity	~10 systems; EU East Data Gateway	Greece comparable; Israel constrained
Electricity cost	2nd highest in EU	Major disadvantage vs UAE, Greece
Scale-up capital	Very limited	Israel far deeper; Estonia deeper per capita
Research base	0.65% of GDP	Israel >5%; EU average 2.24%

Dimension	Cyprus	Competing locations
Geopolitical stability	EU member in an unstable region, net asset	Israel: significant risk premium
Schengen membership	Not a member	A recognised gap; joining is an industry recommendation

Source: our assessment. Comparator tax and research figures from published national and Eurostat sources.

17.3 The case for specialised sector strategies

A recurring argument in the qualitative research is that Cyprus treats technology as a single policy object when its economically significant technology-intensive sectors have materially different requirements. The point is made most forcefully in relation to gaming and iGaming.

The underlying argument survives the caveat entirely, and is the more useful contribution. Whatever the precise share, Cyprus hosts a concentration of regulated digital-platform activity that is economically significant, technology-intensive, internationally mobile and, unlike shipping or financial services, without a dedicated national strategy. The strategic question the report adopts is therefore: are all economically significant technology-intensive sectors receiving proportionate strategic attention?

On the evidence, they are not. Shipping has a Deputy Ministry and a tonnage tax regime. Financial services has CySEC and a mature supervisory architecture. Technology as a whole has the Deputy Ministry of Research, Innovation and Digital Policy. The regulated digital-platform cluster, maritime technology, health and pharmaceutical technology, and tokenisation have policy attention distributed across those bodies rather than concentrated anywhere.

Candidate vertical	Existing Cyprus position	Strategic status
Gaming, forex and digital platforms	Largest CIF population in the EU; CySEC authorises both MiFID and MiCA	Economically significant; no dedicated strategy
Maritime and shipping technology	€1.9bn sector; ~2,900 vessels; Limassol domain depth; ministry digitalising	Strong base; technology dimension under-developed
Health and pharmaceutical technology	GESY provider network; e-health incomplete	Emerging; identified in qualitative research
Tokenisation and digital assets	MiCA authorisation capability; UNIC specialisation	Genuine regulatory niche; small scale
Subsea cable security	Commission-recognised activity	Highest-return under-exploited niche (see section 17.4)

> STRATEGIC OPPORTUNITY **Cyprus's realistic advantage lies in specific vertical ecosystems where it already has regulatory, geographic or domain depth, not in generic ICT growth. Each of the five above has a defensible foundation; none except shipping has a strategy proportionate to it.**

The industry's own assessment of the ceiling

Senior industry stakeholders take a more ambitious view of Cyprus's regional potential than the structural analysis in this chapter supports on its own, and the grounds they give are worth recording because they are not the usual ones. The argument rests on scale rather than despite it: a small jurisdiction can decide and adapt faster than a large one, and combined with entrepreneurial culture, existing technical expertise and geographic position, that agility is treated as a competitive asset rather than a limitation.

The agility argument has genuine substance and the evidence in this report partly supports it. Cyprus moved from a 4.3% ICT share of gross value added in 2013 to 12.5% in 2025, achieved complete 5G coverage before any other member state, established a fast-track relocation mechanism operating in

weeks, and authorised both MiFID and MiCA activity ahead of most EU supervisors. These are the outputs of a jurisdiction able to decide quickly.

The same evidence identifies where agility has not been applied. A procurement cycle of three to four years, two foundational digital strategies expiring without confirmed successors, and a sovereign AI infrastructure funding plan deferred to 2028 are not the characteristics of a fast-moving state. Cyprus has demonstrated speed in attracting activity and slowness in building the machinery that would root it, which is the same asymmetry the competitiveness scorecard in Chapter 21 identifies from a different direction.

> ANALYTICAL FINDING **Agility is genuinely available to Cyprus and is genuinely not being used evenly. The hub ambition is constrained less by the country's size than by the variance between how quickly it can attract technology activity and how slowly it can procure, fund and implement its own.**

International cooperation as a scale mitigation

The ceiling identified above is a scale ceiling, and cybersecurity offers the clearest worked example of how a small state can partially lift one. Commissioner of Communications Marios Pieris describes deliberate efforts to embed Cypriot specialists in international expertise networks and training, with active contacts involving the United States, Israel, France, Germany and the United Kingdom, and discussions with counterpart authorities in the United Kingdom and France about building joint teams rather than merely exchanging views.

> *"Let's build team together."*
>
> Marios Pieris, Commissioner of Communications, interview for this study, 2026, describing the intended basis of cooperation with counterpart authorities

The strategic content of that phrase is the distinction between institutional dialogue and operational integration. Memoranda of understanding are abundant and cost nothing; joint teams mean shared exercises, shared tooling, interoperable procedures and people who have worked together before an incident rather than meeting during one. For a country that cannot generate specialist depth at scale domestically, borrowed depth is not a second-best arrangement: it is the only arrangement available, and the same logic applies to the private cyber expertise reserve discussed in Chapter 11. Both convert capability Cyprus does not own into capability Cyprus can call on.

This has a bearing on the hub proposition tested in this chapter. Cyprus's credible hub claims rest on regulatory access, language, time zone and connectivity rather than on scale. A country embedded in Western cybersecurity operational networks, with an EU-supervised regime whose notification requirements are stricter than the Directive's floor, has a specific and defensible proposition to a regulated international business choosing where to place operations. That is a narrower claim than the general hub ambition and a considerably more testable one.

The hub claim, as government now states it

The hub proposition has been argued in Cyprus for a decade, usually as aspiration. Deputy Minister Nicodemos Damianou marks a deliberate change in how it is asserted.

> *"Today we are in a position to talk meaningfully about the objective."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026

The claim is not that Cyprus has become a technology and innovation hub. It is that the combination of economic performance, investment, infrastructure, digitalisation, startup formation, research

institutions, international technology companies, skills and policy has moved the ambition from statement to substance: that Cyprus is at a more advanced stage than aspiration. This report does not independently declare Cyprus a technology hub, and the distinction the interviewee drew is the right one to preserve.

> *"It is an aspect that was missing. Because you cannot simply say on your own, I wish to become one because I have a very good geostrategic position, but have no partnerships [...] and nobody believes that you can do it."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Tested against this chapter's own framework, the assessment holds on three of the four propositions. Cyprus has a defensible claim as an EU-based regional platform for technology and fintech, as a relocation destination with functioning machinery, as a connectivity node, and increasingly as a startup formation environment. What it does not yet have is the rootedness described in section 8.5 or the research depth described in section 14.2, and the ambition now attached to the proposition (becoming a trusted hub for AI solutions specifically) depends on precisely the capability Cyprus measures weakest on, at 9.27% enterprise adoption against an EU average of 19.95% and third-lowest research intensity in the Union.

THE GAP BETWEEN THE CLAIM AND ITS MOST AMBITIOUS FORM **The general hub claim is now supportable, and this report supports it in the specific terms set out in section 17.4. The AI hub claim is not yet supportable on any published indicator, and stating it prematurely carries real cost: a trusted-AI positioning is verifiable by any sophisticated counterparty in about ten minutes, and Cyprus's adoption and research numbers are public. The sequence matters: build the measurable position, then make the claim.**

A related development belongs here. The Deputy Minister indicates that technology, startups and research and innovation are being adopted as central pillars of a wider rebranding of Cyprus internationally, with Invest Cyprus identified as a significantly upgraded instrument of that positioning. This is a material shift in what the country is selling. It also raises the stakes on the depth measures in section 9.8: a national brand built on technology invites scrutiny of the technology indicators, including the ones where Cyprus ranks twentieth of twenty-seven.

17.4 The four defensible propositions

Rather than a general hub claim, we recommend Cyprus advance four specific and evidence-supported propositions.

1. The EU's East Data Gateway. Cable landing, transit and regional interconnection between Europe, the Middle East and Asia. Supported by BlueMed, the East Med Corridor and PEACE, Connecting Europe Facility funding, and explicit consortium positioning. This is the strongest proposition and it is already partly realised.

2. A subsea cable security and resilience centre. The European Commission recognises Cyprus as active in this area and recommends it build technological leadership and participate in the EU submarine cable security strategy. Cable security is a scarce, strategically urgent European competence, and Cyprus sits at a genuine geographic chokepoint. This is the highest-return under-exploited niche identified anywhere in this study.

3. A regional headquarters and regulated-industry platform. Fintech, forex, gaming, shipping and professional services operating from an EU jurisdiction with fast talent access and English-language commercial practice. This is what Cyprus has actually become, and it should be claimed explicitly rather than described as a startup ecosystem.

4. A maritime and shipping technology cluster. Limassol holds genuine domain depth that international vendors cannot easily replicate, in a vertical undergoing regulatory and emissions-driven digitalisation. Under-served relative to its economic weight.

> **Cyprus increasingly competes for technology investment as a regional business platform rather than as a domestic market. Its investment proposition should be written accordingly: the domestic market is not the case, and pretending otherwise invites disappointment.**

17.5 Testing the hub proposition against the evidence

Hub claims are easy to make and rarely tested. We assess Cyprus against the five conditions that the literature on small-economy technology hubs consistently identifies.

Condition	Cyprus	Verdict
Connectivity to major markets	~10 subsea systems; BlueMed landed Oct 2025; EMC in service Q1 2026; EU East Data Gateway positioning; complete 5G and near-complete gigabit	Met, and improving
Regulatory and administrative speed	BFU establishes a foreign-interest company employing third-country nationals in weeks; CySEC authorises both MiFID and MiCA	Met: among the strongest in the EU
Talent access	25.7% third-country nationals in tech; fast permits; but 2.8% ICT graduates and no Schengen membership	Partially met
Capital depth	Largest domestic fund €35m; no Series B capacity	Not met
Research and knowledge base	GERD 0.65% of GDP; patents 54.6% of EU average; no functioning technology transfer chain	Not met

Three of five met or partially met is a genuine hub position, but the two unmet conditions are the ones that determine whether a hub compounds or plateaus. Connectivity and administrative speed attract activity; capital depth and knowledge base determine whether that activity generates further activity locally. Cyprus has built an excellent front door and comparatively little behind it.

> **Cyprus is a functioning regional technology platform and not yet a self-reinforcing technology ecosystem. The difference is that a platform grows when it attracts more tenants, while an ecosystem grows because its existing participants generate new ones. Capital depth and research capacity are what convert the first into the second.**

17.6 The investment proposition, stated plainly

For an international investor or corporate considering Cyprus, the honest proposition is this. Cyprus offers EU membership, eurozone access and single-market passporting from a jurisdiction with 15% corporate tax, an IP Box effective rate near 3%, zero withholding on outbound dividends and a non-domicile personal regime, all of which survived the 2026 Pillar Two reform intact. It offers complete 5G, near-universal gigabit, ten submarine cable systems and a position on the EU's eastern data corridor. It offers third-country talent permits in weeks, an English-language legal and business environment, and a regulator authorising both investment firms and crypto-asset service providers. And it has demonstrated an unusual capacity to absorb geopolitical shocks and convert them into opportunity.

It does not offer a large domestic market (approximately €1.7bn addressable, growing with GDP). It does not offer growth capital beyond seed stage. It does not offer cheap power, and on current fundamentals it cannot host hyperscale compute. And it does not offer a deep research base to draw on.

The proposition is therefore a platform proposition and should be marketed as one: come to Cyprus to serve the region and the world from an EU base with fast talent access and excellent connectivity. It is not a market-entry proposition, and framing it as one produces disappointed investors.

18. Growth Drivers

Drivers are ranked below by the product of impact, probability and time horizon, as the brief specifies. Impact and probability are assessed High, Medium or Low against the evidence in Chapters 2–17.

Driver	Impact	Probability	Horizon	Net rank
Cybersecurity regulation (NIS2, DORA, CRA)	High	Very high	0–24 months	1
Managed services shift	High	High	0–36 months	2
Cloud migration and SaaS substitution	High	High	Continuous	3
Government digitalisation programmes	High	Medium	0–36 months	4
Technology company relocation	High	Medium	Continuous	5
Submarine cable and data gateway build-out	Medium-high	High	24–60 months	6
Financial services digitalisation	Medium-high	High	0–36 months	7
Data centre capacity expansion	Medium	High	12–48 months	8
Fintech and gaming sector growth	Medium	Medium-high	Continuous	9
EU funding (RRF, Cohesion, Digital Europe)	Medium	Medium	0–24 months, then uncertain	10
AI adoption by domestic enterprises	High	Low near-term	36–60 months	11
5G enterprise applications	Low-medium	Medium	24–60 months	12

Source: our assessment.

18.1 Commentary on the ranking

Cybersecurity ranks first not because it is the largest driver in absolute value but because it is the only one with near-certain probability and an immediate deadline. Statutory obligations with turnover-linked penalties and board liability do not depend on business confidence, budget cycles or technology fashion.

AI ranks eleventh, which will surprise readers accustomed to AI leading every such list. The ranking reflects Cyprus specifically: adoption at 9.27%, a €6m policy instrument, and sovereign infrastructure funding deferred to 2028. AI's impact potential is high and its long-run probability is high; its near-term probability in the Cypriot domestic market is not. For the export economy described in Chapter 4, AI is a first-order driver, but that revenue is booked against foreign customers and does not flow through the domestic market this chapter ranks.

EU funding ranks tenth and falling, because of the Chapter 16 cliff. It has been a first-order driver for five years and its trajectory beyond 2026 is genuinely uncertain.

19. Constraints and Risks

Risk	Impact	Probability	Horizon	Net rank
Scale-up funding gap	High	Certain: present now	Continuous	1
Housing and cost-of-living erosion of talent proposition	High	High	0–36 months	2
Energy costs constraining infrastructure and industry	High	High	Continuous	3
End-2026 policy cliff	Medium-high	High	0–12 months	4
Research intensity gap limiting long-run upgrading	High	Certain	60+ months	5
Public procurement velocity	Medium-high	High	Continuous	6
Enclave risk: weak domestic linkage	High	Medium-high	36–60 months	7
Relocation reversibility / competitor jurisdictions	High	Medium	24–60 months	8
Senior specialist talent scarcity	Medium-high	High	Continuous	9
Geopolitical shock (Middle East, Ukraine)	High	Medium	Unpredictable	10
International tax change beyond Pillar Two	Medium-high	Low-medium	36–60 months	11
Small domestic market ceiling	Medium	Certain	Structural	12
Cyber incident affecting critical infrastructure	High	Low-medium	Unpredictable	13
Regulatory compliance burden on SMEs	Medium	High	0–24 months	14

Source: our assessment.

19.1 The funding constraint, tested

The brief asked us to test a specific hypothesis: that Cyprus may have funding mechanisms available but that the value and scale of available capital is too small to allow promising SMEs and technology businesses to scale internationally. The evidence supports it.

Mechanisms exist and have improved markedly. What does not exist is ticket size. The largest domestic venture vehicle is €35m, approximately the size of a single European Series B round. Disclosed startup funding in the first four months of 2026 was roughly €12m across seven deals. The record year, 2021, produced €85.5m. A Cypriot company requiring €15–40m to expand internationally cannot raise it domestically, will raise it abroad, and in doing so will typically shift its centre of gravity, cap table and eventually headquarters.

> **Cyprus has startup funding and lacks scale-up capital. The consequence is not that companies fail; it is that they succeed elsewhere.**

The qualitative research adds a strategic dimension to this assessment. Cyprus's geographic position means regional conflict transmits quickly into tourism and other exposed activity, and the appropriate response identified at senior level is not defensive but structural: broaden the range of productive sectors so that contraction in one can be offset by growth in others.

> STRATEGIC REFRAMING **ICT matters to Cyprus not only because it is a fast-growing sector, but because it reduces dependence on more geographically and geopolitically exposed activity. Technology is simultaneously a vertical sector and a horizontal resilience mechanism, and the second role is the one that justifies treating it as a national economic priority rather than an industrial one.**

The horizontal role is the less visible half and the more consequential. Technology capable of raising productivity in shipping, tourism, healthcare, pharmaceuticals, financial services, professional services and government does not appear in ICT gross value added at all; it appears in those sectors' output. This is why the adoption gap documented in Chapter 11 is an economy-wide problem rather than a technology-sector one, and why the productivity framework set out in Chapter 1 is the appropriate test of whether Cyprus is converting its technology investment into resilience.

19.2 Geopolitical exposure, tested

The brief asked us to test the hypothesis that Cyprus is highly exposed to geopolitical shocks because of its location and economic structure, but has historically demonstrated considerable ability to adapt and recover. The empirical record supports both halves.

Exposure is real: proximity to Middle East conflict, energy isolation and import dependence, an economy structurally reliant on foreign capital and foreign labour, and the largest single foreign investor base subject to sanctions from 2022. Adaptive capacity is equally documented: the economy grew 4.7% on average across 2020–24, a period containing a pandemic, an energy shock and the €50.1bn Russian disinvestment; the ICT sector grew 21% in the year the economy contracted 3%; and the same sanctions event that triggered the disinvestment simultaneously drove relocation of technology firms and staff into Cyprus.

> *"[…] everyone in Europe was talking, and many are still talking, about strategic autonomy, technological sovereignty […] and for many, for quite a few of the member states, it also means isolation. […] you can become isolated, especially in technology, in order to become autonomous. By the time you do it, it's going to be too late."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Industry participants interviewed for this study frame this duality directly, describing Cyprus as simultaneously highly exposed to external shocks, by virtue of location and the structure of a small open economy, and unusually capable of recovering from them, citing recovery from regional conflict and from the financial crisis. The report adopts that framing because the empirical record supports both halves.

The qualitative research also identifies a transmission channel that the conventional risk analysis omits: reputational amplification. Dramatic international reporting of regional security incidents can create an impression that Cyprus itself is unsafe, with rapid effects on tourism and economic activity even where no incident has occurred on the island. Business observations offered on the scale of that effect are not independently verified and are not reproduced here as figures.

> RISK FRAMING **Cyprus's geopolitical exposure operates partly through perception rather than through direct disruption. That makes international communication a component of economic resilience, and it strengthens rather than weakens the diversification argument, since a technology sector selling to foreign customers is considerably less perception-sensitive than tourism.**

The mechanism deserves naming, because it is the most strategically interesting thing about Cyprus's risk profile. Cyprus's principal shocks have tended to arrive with an offsetting opportunity attached, and Cyprus has been unusually quick to take it. This is not luck; it is a function of a small, flexible, services-based economy with fast administrative machinery. It is also not guaranteed to repeat.

19.3 The constraints in detail

Housing and cost of living

This is the most under-recognised strategic risk in the Cyprus technology sector. The mechanism is straightforward: high-income foreign professionals arrive, technology firms concentrate in Limassol and Nicosia, affordable housing supply does not expand proportionately, and rents rise faster than wages. University of Nicosia analysis describes the result as a housing market operating as a mechanism transferring income from local workers to property owners, in which income growth does not reliably translate into higher real welfare.

For the technology sector specifically this attacks the proposition at its foundation. Cyprus recruits internationally because it can offer a competitive package in an attractive location. If the wage net of rent, energy and transport falls below what a candidate can obtain elsewhere, the package stops being competitive regardless of headline salary, and because a third of the technology workforce is non-Cypriot and mobile, the response is fast. This is the political limit of headquartering when it is not accompanied by housing policy.

Energy

Cyprus recorded one of the highest non-household electricity prices in the European Union in the second half of 2025, second only to Ireland, and remains energy-isolated with high dependence on imported fossil fuels. This operates as a permanent tax on production. For ICT it has three distinct effects: it raises operating costs for every business, weakening investment capacity; it makes data centre economics structurally unattractive, capping the compute hub proposition described in Chapter 12; and it raises household costs, compounding the housing constraint on talent retention. The Great Sea Interconnector is the strategic answer but is a geopolitical, financial and regulatory equation of high complexity subject to delay and cost concern, and no responsible forecast should assume its delivery on a fixed date.

What suppliers and customers each believe will constrain spending

Both survey instruments asked essentially the same question about the factors expected to affect ICT spending by organisations in Cyprus. The answers diverge sharply, and the divergence is systematic rather than random.

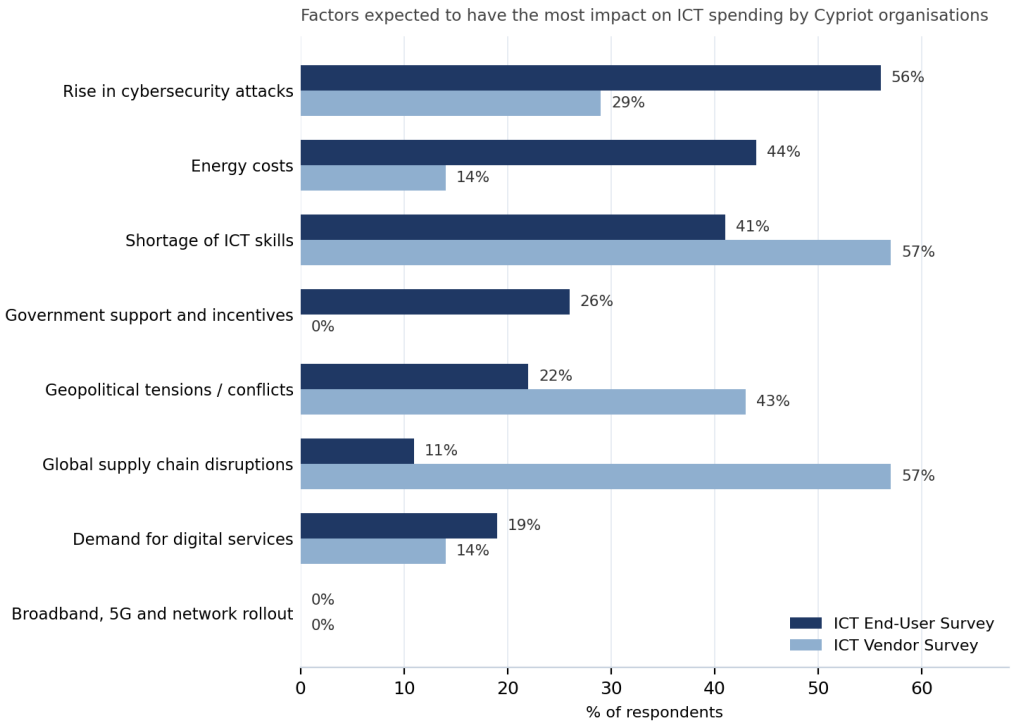


Figure 15. *Vendors and their customers disagree about what will drive ICT spending. Source: IMR/University of Nicosia, Cyprus ICT Vendor and End-User Surveys, 2026. Vendor findings are directional.*

End users rank rising cyber attacks first at 56% and energy costs second at 44%. Vendors rank global supply chain disruptions and shortage of ICT skills jointly first, each named by a majority, place cyber attacks fourth and energy costs second from bottom. Expressed as gaps, vendors under-weight cyber attacks by 27 percentage points and energy by 30, while over-weighting supply chain disruption by 46.

Each side is describing the constraint it experiences directly. Vendors are looking at their own input problems: supply chains, staffing, geopolitics. Customers are looking at their own risk and cost exposure: attacks and electricity. Neither is wrong about its own position, and both are partially blind to the other's.

> SUPPLY–DEMAND GAP **Cypriot ICT vendors are building propositions around their delivery constraints while their customers are budgeting around cyber risk and energy cost. The commercial consequence is that supplier positioning is currently misaligned with the two variables customers say will actually move their spending.**

The energy finding also elevates a constraint this report previously supported only with price statistics. That 44% of Cypriot organisations expect energy costs to influence their ICT spending confirms, from the organisations themselves, that electricity prices have become a technology competitiveness variable in Cyprus and not merely an industrial one.

Public procurement

Government is the largest single institutional buyer in the domestic market at approximately €276m and simultaneously a constraint on it. The evidence is a pattern rather than a single data point: the Commission recommends accelerating public service digitalisation; e-health remains incomplete pending a national mobile application which the Commission recommends fast-tracking; the G-Cloud

tender closed in October 2025 without a publicly confirmed award; and the fifth Recovery and Resilience Facility payment was only partially disbursed in March 2026.

The consequence for the market is twofold. Slow procurement defers revenue for suppliers and, more damagingly, tends to produce tenders specified around legacy requirements rather than outcomes, which suppresses innovation in what the state actually buys. University of Nicosia analysis warns that European programmes risk being treated as a cycle of projects, tenders, payments and compliance, administratively necessary but strategically insufficient.

Relocation reversibility

The activity that produced Cyprus's ICT growth was attracted by policy levers that competitor jurisdictions can replicate. It is concentrated in firms with no historical connection to the island, staffed one-third by non-nationals, and generates minimal research, patent or domestic supply-chain linkage. Under Pillar Two the tax differential is compressing across the EU; the United Arab Emirates offers 9% corporate tax outside it; and Greece, Malta and Portugal compete actively within it.

We do not model a relocation reversal in the scenarios in Chapter 22, because its probability cannot be responsibly quantified from available evidence. But it should be understood as the genuine tail risk in this market: it would appear as a level shift in output rather than a change in growth rate, and it would be visible in employment and FDI data before it appeared in national accounts.

Regulatory burden on the SME base

NIS2 applies from October 2026 to entities with 50 or more employees or €10m or more in turnover. In an economy where SMEs generate 77.7% of business economy value added and the average SME employs 3.8 people, that threshold captures firms in the upper-middle of the size distribution rather than at its top. Many have never operated a formal information security management system. The obligations (risk management, supply chain security, a six-hour initial incident notification, a 72-hour full notification and board-level accountability) are substantial for organisations of that size, and the penalties reach €10m or 2% of global turnover.

This is simultaneously the largest commercial opportunity in the domestic market (Chapter 11) and a genuine cost shock to the enterprise base, arriving in the same quarter that half the Digital Decade support measures expire. The sequencing is avoidable and Chapter 23 recommends specifically how.

20. SWOT Analysis

Each point below is supported by evidence presented earlier in this report, with the relevant chapter noted. Points that could not be evidenced have been omitted rather than included for symmetry.

20.1 Strengths

Strength	Evidence	Ch.
ICT output share more than double the EU average	12.5% of GVA vs EU 5.6%	2, 9
Fastest ICT sector growth in the EU	+435% 2016–2025 vs EU +86%	2, 8
Counter-cyclical sector performance	+21% in 2020 while economy contracted 3%	1, 6
Complete 5G and near-complete gigabit coverage	First EU state to 100% 5G; FTTP 77.1% vs EU 64%	12
Strategic submarine cable position	~10 systems; BlueMed landed; EMC in service; CEF-funded	12, 17
Recognised subsea cable security competence	European Commission assessment and recommendation	12, 17
Competitive and stable tax environment	15% CIT, ~3% IP Box, 0% dividend withholding, all retained through 2026 reform	15
Exceptional talent immigration machinery	BFU; company operational in weeks; 25.7% third-country nationals in tech	13
Fastest-growing EU startup ecosystem	StartupBlink, three consecutive years; 5x since 2020	14
SME basic digitalisation above EU average	74.35% vs EU 71.39%	9
Female ICT participation above EU average	23.7% vs EU 19.5%	13
Demonstrated resilience to external shock	4.7% average growth 2020–24 through pandemic, energy shock, sanctions	1, 19
English-language EU business environment	Structural; underpins regional platform role	17

20.2 Weaknesses

Weakness	Evidence	Ch.
Small domestic market	≈€1.7bn addressable; ≈€0.8–0.95bn reaching Cypriot firms	3
Third-lowest research intensity in the EU	GERD 0.65% of GDP vs EU 2.24%	14
Public research funding contracting	GBARD −25.6% in 2025	14
No scale-up capital	Largest domestic fund €35m	14, 19
Bottom-five enterprise AI adoption	9.27% vs EU 19.95%	9
Weak IP generation relative to IP attraction	Patents 54.6%, designs 36.0% of EU average	14
Below-average population digital skills	49.5% vs EU 55.6%; 18.4% among 55–74	13
Low ICT graduate output	2.8% of graduates vs EU 4.2%	13
Fragmented, sub-scale data centre estate	~18 facilities, 13 operators; no hyperscaler region	12
Public procurement velocity	Commission recommends acceleration; G-Cloud award unconfirmed	15
Weak domestic linkage to relocated sector	Enclave risk; ~4/5 of sector output export-facing	4

Weakness	Evidence	Ch.
Value retention gap	Net FDI income −€3.43bn, −9.9% of GDP	5

20.3 Opportunities

Opportunity	Evidence / scale	Ch.
Compliance-driven managed security	€90–130m market; Oct 2026 deadline; structurally local	11
EU East Data Gateway positioning	BlueMed, EMC, PEACE; consortium positioning explicit	12, 17
Subsea cable security centre	Commission recommendation; scarce European competence	17
Government digitalisation	€276m public sector market; €172.86m DMRIDP budget	10, 15
Maritime and shipping technology	Limassol domain depth; regulatory digitalisation; under-served	10, 17
AI adoption from a very low base	10.7pp gap to EU; Pharos-CY infrastructure in place	11
Managed services transition	SME-dominated economy; specialist scarcity	11
Regional HQ and regulated-industry platform	What Cyprus has actually become; claimable explicitly	17
Financial services compliance technology	DORA enforcement cycle; €321m vertical block	10, 11
Second-phase headquartering with linkage conditions	Converts attraction into rootedness	8, 22

20.4 Threats

Threat	Evidence	Ch.
Housing costs eroding talent proposition	Housing rising faster than wages in tech-concentrated cities	13
EU's second-highest electricity prices	H2 2025, behind only Ireland	12, 13
End-2026 policy cliff	50% of roadmap measures; angel incentive; RRF terminal phase	16
Relocation reversibility	Policy-created, mobile, nothing anchoring it	8, 19
Competing jurisdictions	UAE 9% CIT; Greece, Malta, Portugal actively competing	17
Scale-ups leaving to raise capital	Success migrates rather than fails	14, 19
Geopolitical shock	Middle East proximity; energy isolation	17
Compliance burden on SME base	NIS2 threshold catches Cyprus mid-market	11, 16
Widening AI gap	EU average grew 6.5pp in one year; Cyprus at 9.27%	11
International tax change beyond Pillar Two	IP Box regimes under periodic scrutiny	15, 17

20.5 Reading the SWOT

Four observations follow from the distribution of points above rather than from any single entry.

The strengths are overwhelmingly acquired rather than endowed. Connectivity, tax structure, talent immigration machinery and ecosystem growth are all products of policy decisions taken since 2013, most since 2021. This is encouraging (it demonstrates that Cypriot policy can move outcomes quickly) and cautionary, because what policy created, competing policy can erode.

The weaknesses are overwhelmingly structural rather than acquired. Domestic market size, research intensity, capital depth and IP generation are not the result of recent decisions and will not respond to short-term ones. They require sustained investment across electoral cycles, which is the hardest thing for any small state to sustain.

The opportunities cluster in compliance, connectivity and specialisation, not in scale. Every genuinely defensible opportunity identified in this study is one where Cyprus has domain advantage, regulatory position or geography. None depends on Cyprus achieving scale it does not have. That is the correct strategic posture for an economy of 950,000 people.

The threats are mostly cost threats. Housing, energy, competing jurisdictions and rising labour costs all operate through the same mechanism: they raise the price of being in Cyprus relative to alternatives. For a mobile sector, relative cost is the whole game.

> **Read as a whole, the SWOT describes an economy that has executed an attraction strategy exceptionally well and has not yet begun a retention strategy. The strengths get firms through the door. The weaknesses determine whether they build anything once inside. The threats determine how long they stay.**

21. Cyprus ICT Competitiveness Index

21.1 Methodology

This index is an evidence-based qualitative scoring framework, not a computed composite. We have not fabricated numerical scores where the underlying data would not support them. Each of twelve dimensions is scored 1–5 against the EU-27 average and Class A structural peers, with the evidence stated. A score of 3 denotes parity with the EU average.

Weightings are equal by default. We have not applied differential weights because any weighting scheme would embed a judgement about what matters that readers may reasonably contest; readers wishing to weight the dimensions differently can do so from the published scores.

21.2 The scores

Dimension	Score	Classification	Principal evidence
Digital infrastructure (domestic)	5	Leading	100% 5G; extensive gigabit; FTTP 77.1% vs EU 64%
International connectivity	5	Leading	~10 subsea systems; BlueMed; EMC; East Data Gateway
Internationalisation	5	Leading	69.8% extra-EU exports, highest in EU; 25.7% third-country tech workforce
Market attractiveness	4	Above average	15% CIT / ~3% IP Box retained; BFU speed; fastest-growing EU ecosystem
Emerging technology adoption	2	Below average	AI 9.27% vs EU 19.95%; cloud and analytics well advanced
Business digitalisation	3	Average	SMEs 74.35% basic intensity vs EU 71.39%, but advanced adoption low
Human capital	3	Average	ICT specialists 5.0% = EU; women 23.7% > EU; but skills 49.5% and graduates 2.8% below
Public-sector digitalisation	3	Average	UN EGDI 38th; Open Data 95%, trend-setters (5th–6th of 36); procurement and e-health lagging
Cybersecurity	3	Average	Awareness promoted; Commission recommends strengthening critical-infrastructure resilience
Regulatory environment	4	Above average	Fast relocation machinery; AI Act alignment; sandbox committed
Funding environment	2	Below average	Seed capital present; scale-up capital absent; largest fund €35m
Research capacity	1	Lagging	GERD 0.65% vs EU 2.24%; GBARD −25.6%; patents 54.6% of EU average
OVERALL (unweighted mean)	**3.3**	**Above average**	**n/a**

Source: our assessment against the evidence in Chapters 2–17. Scores are qualitative classifications on a 1–5 scale, not computed composites.

21.3 What the distribution shows

The mean of 3.3 is the least informative number in the table. What matters is the distribution: three scores of 5, two of 4, four of 3, two of 2 and one of 1. There is very little clustering around the mean.

> **Cyprus does not have a generally middling digital profile with a few weak spots. It has world-class infrastructure, international connectivity and internationalisation sitting directly alongside bottom-of-the-EU research capacity, funding depth and advanced technology adoption. The profile is bimodal, and bimodal profiles are diagnostic.**

The diagnosis follows from which dimensions score high and which score low. Every dimension scoring 4 or 5 is a factor that attracts mobile activity: connectivity, tax, regulatory speed, international orientation. Every dimension scoring 1 or 2 is a factor that would root activity in place: research capacity, scale-up funding, advanced technology absorption.

> **Cyprus has optimised comprehensively for attracting technology activity and barely at all for rooting it. Every leading indicator is a reason to come; most lagging indicators are reasons it would be easy to leave.**

22. Market Outlook 2026–2030

22.1 Method and assumptions

Scenarios are modelled separately on both axes, because the two economies described in Chapter 4 respond to different variables. Supply-side growth is driven principally by relocation flows, export demand and the export economy's exposure to global AI investment; demand-side growth is driven principally by Cypriot GDP, compliance requirements, government programmes and domestic adoption rates.

These are our projections. They are not official forecasts and are not derived from any published forecast of the Cyprus ICT sector, because none exists at this granularity.

22.2 Supply side: ICT gross value added

Scenario	2026	2027	2028	2029	2030	CAGR
Base	4,510	4,916	5,309	5,707	6,107	8.3%
Upside	4,674	5,282	5,915	6,566	7,223	12.0%
Downside	4,305	4,434	4,567	4,750	4,940	3.8%

€ millions. Base year 2025 = €4,100m. Source: our model. Forecast.

22.3 Demand side: addressable ICT expenditure

Scenario	2026	2027	2028	2029	2030	CAGR
Base	1,803	1,911	2,016	2,127	2,234	5.6%
Upside	1,854	2,021	2,183	2,357	2,522	8.2%
Downside	1,752	1,787	1,823	1,877	1,934	2.6%

€ millions. Base year 2025 = €1,701m. Source: our model. Forecast.

22.4 Scenario assumptions

Variable	Downside	Base	Upside
Cyprus real GDP growth	1.5–2.0%	2.5–3.0%	3.0–3.5%
Relocation flows	Stall or reverse	Continue at reduced rate	Reaccelerate
End-2026 policy cliff	No successor programme	Successor published, reduced scale	Successor published, expanded
NIS2 / DORA compliance spend	Enforcement deferred or light	Enforcement as scheduled	Strict enforcement, broad scope
Enterprise AI adoption by 2030	<20%	25–30%	40%+
Energy costs	Remain highest in EU tier	Gradual improvement	Great Sea Interconnector delivers
Scale-up capital	No change	One further fund of similar scale	Multi-fund, EIF-anchored platform
Geopolitical conditions	Regional escalation	Stable	De-escalation, Schengen accession

22.5 What the scenarios show

Three observations matter more than the point estimates.

First, the gap between the two economies persists across every scenario. In the base case the ratio of domestic market to sector output moves from 0.41 in 2025 to 0.37 by 2030: the domestic market grows more slowly than the sector it nominally serves, and the divergence widens rather than closes.

Year	ICT GVA (€m)	Domestic market (€m)	Ratio
2025	4,100	1,701	0.41x

Year	ICT GVA (€m)	Domestic market (€m)	Ratio
2026	4,510	1,803	0.40x
2027	4,916	1,911	0.39x
2028	5,309	2,016	0.38x
2029	5,707	2,127	0.37x
2030	6,107	2,234	0.37x

Base case. Source: our model. Forecast.

Second, the downside case is not a recession scenario. It assumes continued growth at 3.8% supply-side and 2.6% demand-side, slower than Cyprus has managed for a decade but still positive. The genuine tail risk in this market is not contraction; it is the relocation reversal described in Chapter 19, which would show up as a level shift rather than a growth-rate change and which we have not modelled because its probability cannot be responsibly quantified.

Third, the upside case is available and its conditions are known. It requires a successor digital programme published before the roadmap lapses, strict compliance enforcement, a material improvement in energy costs, and the emergence of scale-up capital. Three of those four are policy choices.

22.6 Segment forecasts, base case

Segment	2025 (€m)	2030 (€m)	CAGR	Driver
Security (within IT services)	≈90–130	≈200–260	~16%	NIS2, DORA, CRA
IT services excl. security	≈400	≈580	7.7%	Managed services shift
Software and SaaS	≈440	≈640	7.8%	Cloud substitution
Data centre and hosting	≈135	≈210	9.2%	Cyta build; edge growth
Communications services	≈375	≈400	1.3%	Mature; enterprise offsets voice decline
Hardware and devices	≈240	≈205	−3.1%	Structural cloud substitution

Source: our model. Forecast. Security is shown separately from IT services for visibility and is included within the IT services total elsewhere in this report.

22.7 Scenario narratives

Base case: continuation with friction

Cyprus publishes a successor digital programme, at somewhat reduced scale relative to the expiring roadmap. Recovery and Resilience Facility milestones are met late but met. NIS2 enforcement proceeds broadly as scheduled and produces the compliance spending wave modelled in Chapter 11. Relocation continues at a reduced rate as the tax differential compresses and competitor jurisdictions gain ground. Enterprise AI adoption reaches 25–30% by 2030: real progress, but still trailing an EU average that will by then be far higher. Energy costs improve gradually without the Great Sea Interconnector delivering within the forecast period. Scale-up capital remains thin, and two or three Cypriot companies of note relocate their centre of gravity abroad on raising growth rounds.

The sector reaches €6.1bn of gross value added by 2030 at 8.3% compound growth, and the domestic market €2.23bn at 5.6%. Cyprus remains a top-three EU economy by ICT share and remains an enclave.

Upside: the second phase begins

The successor programme is published on time and expanded. A scale-up fund at €100m or above is anchored by the European Investment Fund on the precedent already established. AI support is scaled

materially beyond €6m and sovereign infrastructure funding is brought forward from 2028. Linkage conditions attach to relocation incentives, and domestic procurement by relocated firms becomes measurable for the first time. Housing supply responds in Limassol and Nicosia. The Great Sea Interconnector reaches financial close. Schengen accession advances.

Sector gross value added reaches €7.2bn by 2030 at 12.0% compound growth; the domestic market €2.52bn at 8.2%. More importantly, the composition changes: research intensity begins rising, domestic supplier linkage becomes visible, and one or more Cypriot companies scale internationally while retaining their Cyprus headquarters. This is the scenario in which Cyprus stops being a platform and starts being an ecosystem.

Downside: the cliff is not bridged

No successor digital programme is published before the roadmap lapses. The angel investor incentive expires. RRF milestones slip and disbursement is curtailed. NIS2 enforcement is light, deferring the compliance spending wave. Housing and energy costs continue rising faster than wages, and net technology in-migration slows. Relocation stalls as competitor jurisdictions improve their offers and the tax differential narrows further.

Sector growth falls to 3.8% compound and the domestic market to 2.6%. This is not a recession scenario (both measures still grow), and that is precisely what makes it dangerous. A sector decelerating from 15% to 4% while still posting positive numbers is easy to describe as maturity rather than as a warning, and the underlying deterioration in relocation flows and talent retention would not be visible in the headline figures for two to three years.

> **The most likely failure mode for Cyprus is not a crisis. It is a slow deceleration that looks like maturity, is reported as success, and is only recognisable in retrospect. The indicators that would reveal it early (net technology in-migration, relocated-firm employment, non-EU work permit issuance) are not currently published.**

22.8 What the market itself expects

The scenarios above are modelled. The primary research provides an independent read on which of them the market currently believes it is in, and introduces one note of caution.

The large majority of ICT vendors expect total ICT revenue to increase in 2026 relative to 2025. Among end-user organisations, 56% expect to increase spending on external ICT services, 28% expect no change and 8% expect a decrease.

Some divergence is legitimate. Vendor revenue and end-user external ICT spend are not the same quantity: vendors also serve government, export markets and customers outside this sample, and the finance-weighted end-user sample may understate growth in sectors it under-covers.

Industry participants characterise 2025 as a particularly strong year for Cypriot ICT companies, attributing it principally to rising digital transformation requirements across the economy rather than to any single technology cycle. This is an expert qualitative assessment rather than a measured growth rate, and it should be read alongside rather than in place of the official series, which records ICT gross value added rising from €3.59bn in 2024 to approximately €4.10bn in 2025. Official statistics, vendor expectations and industry assessment point in the same direction on 2025, which is a reasonably strong basis for the base case.

22.9 The longer-term ambition, tested

The scenarios above run to 2030. Senior stakeholder evidence gathered for this study frames a longer and considerably more ambitious horizon, and it is worth testing rather than either adopting or dismissing.

The starting point requires clarification, because two different measures are in circulation. ICT gross value added is 12.5% of total gross value added, which is approximately 11.3% of GDP. The broad technology sector, ICT plus technology-linked professional, scientific and financial services, contributes approximately 16.2% of GDP directly. The interviewee's working figure of around 15% sits between the two and is most consistent with the broader definition.

Tested on the narrower and more conservative national accounts basis, the arithmetic is as follows.

Assumption	Value
ICT gross value added, 2025	€4.10bn
GDP, 2025 (estimate)	€36.3bn
Assumed nominal GDP growth to 2035	3.0% – 4.0% per year
Implied GDP, 2035	€48.8bn – €53.7bn
ICT gross value added required for 20% of GDP	€9.8bn – €10.7bn
Required ICT CAGR, 2025–2035	9.1% – 10.1%
This report's base case CAGR, 2025–2030	8.3%
This report's upside case CAGR, 2025–2030	12.0%

Source: our calculation, applying the Chapter 22 base year to the stated ambition. Illustrative arithmetic, not a forecast.

The result is more interesting than either an endorsement or a dismissal would be. Reaching 20% of GDP on the narrow definition requires sustained nominal growth of roughly 9 to 10% a year for a decade, above this report's base case of 8.3%, well below its upside case of 12.0%, and considerably below the 435% growth the sector delivered between 2016 and 2025. The ambition is not arithmetically implausible. It requires the base case to be modestly exceeded and, more demandingly, sustained for twice the period this report models.

> OUTLOOK **The 20% ambition is achievable arithmetically and constrained structurally. It does not require a step change in growth rate; it requires a decade without the deceleration that the downside case describes. On the evidence in this report, the variables that would cause that deceleration are specialist talent supply, scale-up capital, energy cost and delivery capacity, none of which is a demand problem.**

On the broader technology-sector definition the ambition is closer still, since the base is already 16.2% of GDP. That framing, however, measures a definition that includes professional and financial services and is therefore more sensitive to those sectors' performance than to technology policy. The narrow definition is the harder test and the more meaningful one.

Cybersecurity as recurring expenditure, not a compliance project

One assumption in the forecasts above deserves to be made explicit, because the market's own planning frequently gets it wrong. The security expenditure driven by the October 2026 deadline is modelled here as a permanent addition to the run rate rather than a one-off compliance project that completes and falls away.

Evidence from Commissioner of Communications Marios Pieris supports that treatment directly. Asked how Cyprus's position would develop over one, two and five years, the emphasis was on the

speed at which the threat environment changes: cybersecurity is not a destination that institutions, businesses and skills arrive at, but a capability they must keep rebuilding. Chapter 11's evidence on AI-enabled threats says the same thing from the attacker's side, and the six-hour notification requirement says it operationally: a detection and response capability is a standing cost, not a capital item.

> FORECASTING IMPLICATION **Security spending should be modelled as recurring resilience expenditure, not as a one-off upgrade cycle that peaks in 2026 and decays. That distinction is worth more to a provider's business model than to a forecast: a compliance project produces a single sale, whereas a recurring resilience requirement produces annuity revenue, which is why the managed-services transition in section 11.4 and the security opportunity in section 11.3 are ultimately the same commercial event.**

The corollary for buyers is a budgeting one. An organisation that funds compliance from a capital allocation in 2026 and returns to its previous operating baseline in 2027 will be non-compliant again in 2027, because the obligations are continuous and the threat is not static. The forecasts in this chapter assume Cypriot organisations mostly learn this in 2027 rather than in 2026, which is one reason the demand-side model shows security expenditure rising through the second half of the forecast period rather than peaking at the deadline.

Policy signals arising from the stakeholder evidence

Three forward-looking signals emerged from evidence provided by the Deputy Minister, Nicodemos Damianou. None is modelled in the scenarios above, because none is announced; each would move the base case if it materialised.

Signal	What it would change	How to recognise it	Scenario effect
An enterprise AI adoption grant scheme	The single instrument absent from Cyprus's AI toolkit. At 9.27% enterprise adoption against an EU average of 19.95%, a demand-side subsidy is the mechanism most likely to move the number quickly	Adoption of the National AI Strategy, followed by a call from the Research and Innovation Foundation or the Ministry of Energy, Commerce and Industry with grants to enterprises rather than to research	Upside. Would raise the AI component of the demand model from 2027
A successor instrument to the digital component of the Recovery and Resilience Plan	Approximately €306–367m of tagged digital funding reaches its delivery end inside the forecast window, concurrent with the Digital Decade roadmap expiry	A published successor programme, or its absence, before end-2026	Determines whether the downside scenario in section 22.7 is avoided
Further capitalisation of the venture layer	33East at €35m addresses formation, not scale-up. A second, larger vehicle or an increased Cyprus Equity Fund commitment would begin to address the Series A gap quantified in section 14.8	A second fund close, a sovereign co-investment vehicle, or European Investment Fund participation at larger scale	Upside, with a three-to-five-year lag

Source: our analysis, developed from qualitative research for this study, 2026. None of these is an announced programme and none is modelled.

22.10 Leading indicators to monitor

For readers who will track this market between editions, six indicators will signal which scenario is materialising, in roughly the order in which they will move.

> *"There are a great many sectors. We will also see how technological development progresses. Because things now change by the month."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

Indicator	Source	What to watch for
Successor digital strategy publication	DMRIDP	Published before 31 Dec 2026, or not
Angel investor tax incentive	Ministry of Finance	Extended, or allowed to lapse
Third-country work permit issuance in ICT	Ministry of Interior / BFU	Deceleration would be the earliest sign of relocation stalling
Enterprise AI adoption	Eurostat isoc_eb_ai, annual	Movement above 15% by 2027 indicates the base case; static at 9–11% indicates downside
Scale-up fund formation	EIF / government	A vehicle above €100m is the single clearest upside signal
Job vacancy rate in information and communication	CYSTAT (NACE Rev. 2.1)	Rising ICT-specific vacancies would indicate genuine demand growth rather than relocation churn

23. Strategic Priorities

Every recommendation below names a responsible stakeholder, a specific action, an objective, a rationale, an expected impact and a timeframe. Recommendations that could not be specified to that standard have been omitted.

> *"Look, rather than talking about sectors as such, let me start by saying that there are priorities. One priority is the skills gap [...]. We must close the skills gap, because without it you will not be able to [...]"*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

23.1 Immediate: 0–12 months

Owner	Action	Objective / rationale	Expected impact
Deputy Ministry (DMRIDP)	Publish a successor digital strategy before 31 Dec 2026	50% of Digital Decade roadmap measures lapse at end-2026 with no successor in public view (Ch. 16)	Prevents a capability gap entering 2027
Ministry of Finance	Extend the angel investor tax incentive with an evaluation requirement	Scheduled to expire end-2026 at the thinnest point in the capital stack (Ch. 14)	Retains a functioning instrument in a market with no substitute
DMRIDP	Publish a public delivery tracker for the AI and digital strategies	Precedent exists: a 50-commitment tracker reported 38 met in Jan 2026 (Ch. 15)	Makes delivery verifiable; low cost
DMRIDP / Digital Security Authority	Launch an SME NIS2 compliance support scheme	NIS2 bites Oct 2026 at 50 employees / €10m; the same quarter support measures lapse (Ch. 16)	Avoids an SME cost shock; accelerates compliance spend
Central Bank of Cyprus	Publish net FDI income and SPE-adjusted FDI stock by sector	The ICT value-retention rate is currently unmeasurable (Ch. 5, 20)	Closes the most important data gap in the sector
Invest Cyprus / TechIsland	Adopt the SPE-adjusted basis as standard in all ICT investment communication	Headline figures overstate ICT FDI roughly fivefold (Ch. 5)	Protects credibility with international investors
Cyprus ICT companies	Build or partner for managed security and MDR capability now	€90–130m market with an Oct 2026 statutory deadline; structurally local (Ch. 11)	Highest-return near-term commercial move available
CYSTAT	Begin publishing ICT turnover by NACE J sub-class	Segment structure currently must be estimated	Enables segment-level market analysis

23.2 Medium term: 1–3 years

Owner	Action	Objective / rationale	Expected impact
Government / EIF	Establish a scale-up fund of €100m+, EIF-anchored	Largest domestic fund is €35m: one European Series B (Ch. 14, 17)	Retains scaling companies in Cyprus
DMRIDP	Scale AI adoption support materially beyond €6m and fund sovereign AI infrastructure before 2028	10.7pp adoption gap, widening; funding plan currently deferred (Ch. 11)	The single largest determinant of the 2030 adoption outcome
Government	Attach linkage conditions to relocation incentives: local procurement, university research partnership, Cypriot workforce training	Four-fifths of sector output is export-facing with weak domestic linkage (Ch. 4)	Converts attraction into rootedness
Ministry of Interior / municipalities	Treat housing supply in Limassol and Nicosia as technology-sector infrastructure	Housing costs rising faster than wages are eroding the talent proposition (Ch. 13)	Protects retention; addresses the real constraint

Owner	Action	Objective / rationale	Expected impact
Treasury / DMRIDP	Reform ICT procurement toward outcome-based specification and shorter cycles	Government is both the largest buyer and a principal bottleneck (Ch. 15)	Unlocks the €276m public market; raises innovation absorption
Universities / RIF	Build a functioning technology transfer chain: spin-out policy, IP pathway, industry co-location	Patents at 54.6% and designs at 36.0% of EU average (Ch. 14)	Begins closing the IP-creation gap
Ministry of Education	Expand ICT graduate output toward the EU average of 4.2%	Currently 2.8%; four-to-five-year lag means action now affects 2030 (Ch. 13)	Reduces long-run import dependence
Invest Cyprus / DMRIDP	Develop a subsea cable security and resilience proposition	Commission-recognised competence; scarce European capability (Ch. 12, 17)	Highest-return under-exploited niche identified in this study
Cyprus ICT companies	Build maritime and shipping technology specialisation	Limassol domain depth international vendors cannot replicate (Ch. 10, 17)	Defensible export niche

23.3 Structural: 3–5+ years

Owner	Action	Objective / rationale	Expected impact
Government	Resolve the energy cost position: interconnection, storage, renewables, efficiency	EU's second-highest non-household electricity prices constrain both industry and any compute ambition (Ch. 12)	Precondition for the data centre proposition and for industrial competitiveness
Government / RIF	Raise research intensity toward 1.5% of GDP with business R&D as the primary target	0.65% vs EU 2.24%; GBARD fell 25.6% in 2025 (Ch. 14)	The binding constraint on long-run upgrading
Government	Pursue Schengen accession	Identified by industry as a mobility and talent-attraction constraint (Ch. 17)	Removes a recognised gap in the platform proposition
Government / industry	Reposition the national proposition from tax-led to capability-led	Pillar Two compresses tax differentials; advantage must shift to non-tax factors (Ch. 15)	Sustains attractiveness as the tax lever weakens
DMRIDP / CYSTAT	Establish an annual Cyprus ICT Statistical Bulletin covering the data gaps identified in this report	The sector cannot be managed at 12.5% of GVA on the current measurement base	Enables evidence-based sector policy

24. Conclusions

Where is the market today?

Cyprus has two ICT economies. The first is an export-facing sector of roughly €4.1bn in gross value added, 12.5% of national gross value added against an EU average of 5.6%, grown 435% since 2016, counter-cyclical, predominantly foreign-owned and staffed one-quarter by third-country nationals. On this measure Cyprus is among the strongest performers in the European Union, and the achievement is real.

The second is a domestic market of approximately €1.7bn in addressable expenditure, of which perhaps €800–950m reaches Cypriot firms. It grows with GDP, is dominated by financial services and government, and is served by an SME-heavy supplier base. Four-fifths of the Cyprus ICT sector does not sell into it.

Underneath both sits a measurement problem that distorts nearly every public figure about the sector: 80% of headline inward foreign investment is special purpose entities, recorded ICT exports exceed recorded ICT production by more than twofold, and net foreign investment income runs at minus 9.9% of GDP. Cyprus produces demonstrably more value than it retains, and the ICT-specific retention rate is currently unmeasurable.

Where is it heading?

Our base case has sector gross value added reaching €6.1bn by 2030 at an 8.3% compound rate, and the domestic market reaching €2.23bn at 5.6%. The divergence between them widens: the ratio falls from 0.41 to 0.37. Cybersecurity is the fastest-growing segment at roughly 14% compound, driven by statutory obligation rather than discretion. Hardware declines. AI grows strongly in the export economy and slowly in the domestic one.

What could prevent Cyprus reaching its potential?

Not, on the evidence, any of the things most often cited. Connectivity is solved. Tax is settled and survived Pillar Two intact. SME basic digitalisation is above the EU average. The talent pipeline is thin but the import machinery works.

> **The four genuine constraints are scale-up capital, research intensity, energy cost and housing cost. None is a technology problem. All four determine whether a mobile sector stays.**

To these must be added a sequencing risk that is immediate rather than structural: half the national digital roadmap's measures, the angel investor incentive and the Recovery and Resilience Facility all reach their terminus within the same quarter as two new compliance regimes become enforceable. That convergence is avoidable and the window to avoid it is short.

What would allow Cyprus to emerge as a major regional technology hub?

Cyprus already is one, in a specific and defensible sense: an EU-based regional platform for technology, fintech, gaming, shipping and professional services, with world-class connectivity, fast talent access and an increasingly important position as the European Union's eastern data gateway. That proposition should be claimed explicitly, because it is true and because the alternatives (hyperscale compute, a large domestic market, a research-led innovation economy) are not supported by the fundamentals.

> *"And the third priority is the scaling and globalisation of the ecosystem. It must not be an isolated ecosystem. We are very, very small. We must make sure that we are a real hub. And that whoever comes to create, it can scale globally."*
>
> Nicodemos Damianou, Deputy Minister of Research, Innovation and Digital Policy, interview for this study, 2026 (translated from Greek)

What would elevate it is the transition from attraction to rootedness. The scorecard in Chapter 21 is bimodal for a reason: every dimension Cyprus leads on is a factor that brings mobile activity in, and every dimension it lags on is a factor that would hold activity in place. Cyprus has run one half of the strategy exceptionally well for eight years and has barely begun the other.

> **The next phase of Cyprus technology policy is not about attracting more companies. It is about increasing the density of connections between the ones already here and the rest of the Cypriot economy, through local procurement, research linkage, scale-up capital, and the housing and energy conditions that determine whether the people who staff the sector can afford to stay.**

The senior stakeholder evidence gathered for this study reaches a conclusion that is optimistic and explicitly conditional, and this report shares both halves of it.

> *"We have already started; we are just before take-off."*
>
> Demetris Skourides, National Chief Scientist, interview for this study, 2026

The direction is not in question. The evidence assembled here supports it: a sector that has tripled its share of the economy in twelve years, AI adoption nearly tripling from a low base in two, complete 5G coverage, a maturing domestic supplier layer building on modern rather than legacy technology, and a startup ecosystem growing faster than any other in the Union. What is in question is the rate, and the rate is set by four things: specialist talent, scale-up capital, energy cost and delivery capacity. None of them is a shortage of demand, and none of them is a shortage of ambition.

The measure of success will not be ICT's share of gross value added, which is already among Europe's highest. It will be the share of that value which remains in Cyprus, the number of Cypriot firms scaling internationally from Cyprus, and whether enterprise technology adoption in the domestic economy catches up with the sophistication of the sector that shares its jurisdiction. On present policy settings, none of those three is on track. All three are addressable.

24.1 What this report changes

Six things in this study were not previously in the public domain in this form, and they are the basis on which we would ask the sector to engage with it.

1. The special purpose entity adjustment has been applied to ICT foreign investment for the first time, establishing that the sector's real inward FDI stock is roughly €12–13bn rather than the €63bn implied by headline figures.
2. The domestic Cyprus ICT market has been sized bottom-up, with published methodology and a live model, at €1.33–2.15bn, a figure no official or commercial source previously published.
3. The two-economies structure has been quantified rather than asserted, establishing that roughly four-fifths of the sector is export-facing.
4. The principal statistical gaps in the sector's evidence base have been identified and flagged wherever they limit the analysis.
5. The population of Cyprus entities falling within the expanded cybersecurity regulatory perimeter has been quantified for the first time, at approximately 520 to 600 against approximately 60 to 70 previously, and the initial incident notification deadline actually applicable in Cyprus, six hours

rather than the Directive's 24, has been established and reconciled against conflicting published guidance.

6. The breadth–depth asymmetry in Cyprus's digital position has been measured rather than asserted, establishing that the country ranks at or above the EU average on every indicator of whether a digital capability exists and in the bottom quartile on the indicators of how deeply it is used, and that the widely cited foreign-investment-per-capita ranking measures conduit intensity rather than investment.

24.2 What we could not establish

Honesty about limits is part of the contribution. We could not determine the ICT-specific value retention rate, because net FDI income is not published by sector. We could not reconcile recorded ICT service exports with recorded ICT production, because the two series are not on a compatible basis. We could not verify the widely-cited claim that Cyprus ranks third in the EU for ICT contribution, which does not reconcile with the Eurostat series. We could not measure the import leakage rate, and used a reasoned estimate instead. And primary research was limited to the vendor and end-user surveys and stakeholder interviews, which means several talent-market conclusions, particularly on retention and employer practice, rest on recruiter and industry evidence rather than on a dedicated employer survey.

24.3 A closing observation

Cyprus achieved something between 2013 and 2025 that few small European economies have managed: it identified a growth sector, built a policy machine to attract it, and executed fast enough to move ICT from 4.3% to 12.5% of gross value added in twelve years. That was not luck and it was not geography. It was policy, and it worked.

The finding that runs through this report is that the same machinery cannot deliver the next phase. Attraction responds to tax rates, permit speed and connectivity, levers a determined government can pull in a legislative session. Rootedness responds to research capacity, capital depth, housing supply and energy cost, none of which can be delivered inside an electoral cycle, and all of which require sustained investment that produces no visible return for years.

> **Cyprus is very good at the fast half of technology policy and has barely started the slow half. The next decade will be determined by whether it can be equally good at something that is much less rewarding in the short term.**

Appendix A: Definitions

Term	Definition as used in this report
ICT sector	NACE Rev. 2 Section J (Information and Communication), unless otherwise stated. The Cyprus ICT sector is effectively a pure services sector; Eurostat reports no ICT manufacturing data for Cyprus.
Broad technology sector	ICT plus technology-linked professional and scientific services plus technology-linked financial services. Approximately 44% larger than ICT on the national accounts definition. Always named explicitly where used.
Gross value added (GVA)	Output at basic prices less intermediate consumption. GVA plus net taxes on products equals GDP.
Addressable ICT expenditure	Total spending on ICT hardware, software, services, communications and hosting by organisations resident in Cyprus. Excludes household and consumer spending. Modelled in Chapter 3; no official series exists.
Special purpose entity (SPE)	A resident entity with minimal or no physical presence and limited interaction with the domestic economy, typically established for holding, financing or intra-group purposes. The Central Bank of Cyprus publishes FDI series both including and excluding SPEs.
Net FDI income	Investment income earned by Cyprus residents abroad less investment income paid to foreign investors in Cyprus. Negative values indicate net outward income flow.
ICT specialists	Persons employed in ICT occupations regardless of the sector employing them (Eurostat definition). Distinct from ICT sector employment.
Digital intensity (basic)	Eurostat composite indicating an enterprise uses at least four of twelve specified digital technologies.
Class A / B / C comparators	Class A: structural peers with limited SPE distortion. Class B: domicile economies (Ireland, Luxembourg) whose headline output figures are not like-for-like. Class C: strategic non-EU references used for strategy, never ranking.

Appendix B: Methodology

B.1 Research approach

This study combined structured desk research with primary research, comprising the IMR Cyprus ICT Market Survey 2026 (separate vendor and end-user instruments) and qualitative interviews with senior stakeholders. It was conducted across four phases: evidence base construction and market-sizing reconciliation; foreign investment decomposition and export analysis; bottom-up demand-side modelling and comparator benchmarking; and vertical decomposition, forecasting and drafting.

B.2 Source hierarchy

Tier 1 sources (CYSTAT, Central Bank of Cyprus, Deputy Ministry of Research, Innovation and Digital Policy, Eurostat, European Commission, WIPO, UN) take precedence in all cases. Tier 2 sources (major research and professional organisations) are used where Tier 1 data do not exist and are labelled. Tier 3 sources (industry, company and press) are used only for corroboration and are explicitly flagged. Where credible sources disagree materially, the disagreement is explained rather than resolved by selection.

B.3 Market sizing methodology

Supply-side figures are taken from CYSTAT national accounts on the ICT gross value added basis, supplemented by the KPMG Cyprus 2026 estimate for 2025. Demand-side figures are modelled by us as follows: total gross value added is decomposed into four segments (ICT sector, financial services, public sector, rest of business economy); each segment is multiplied by a low, central and high IT-intensity assumption derived from published Gartner, Avasant and IDC industry benchmarks, converted from a revenue basis to a value-added basis where necessary and adjusted downward for Cyprus's documented advanced-adoption gap; the public sector is modelled against general government expenditure rather than gross value added; results are summed and cross-checked against the DMRIDP budget.

The model is supplied as a live spreadsheet in which every assumption is a named, editable input and every result is a formula. No result is hardcoded. A sensitivity table quantifies the effect of the least certain assumption.

B.4 Forecasting methodology

Scenarios are constructed by applying explicit annual growth-rate paths to the 2025 base for each axis, with the underlying variable assumptions stated in Chapter 22. They are our projections and are labelled Forecast throughout. Where published forecasts of Cyprus GDP exist they are cited and their dispersion is shown rather than averaged.

B.5 Competitiveness index methodology

The index is an evidence-based qualitative scoring framework rather than a computed composite. Twelve dimensions are each scored 1–5 against the EU-27 average, with 3 denoting parity and the supporting evidence stated in the table. Weightings are equal by default; readers wishing to apply differential weights can do so from the published scores. We have not generated numerical sub-indices where the underlying data would not support them.

B.6 Primary research: instruments, fieldwork and analysis

Design

The primary research was designed to measure what official statistics cannot: buyer intentions and behaviour, supplier conditions, and the expert reading of those who govern the sector. It was conducted by IMR/University of Nicosia on behalf of the Cyprus Computer Society. The two survey instruments were designed together, so that common questions could be compared directly between

buyers and suppliers, and the interview programme was designed to cover the policy, supervisory and industry perspectives.

The End-User Survey

The End-User Survey was addressed to organisations in Cyprus that use ICT products and services, and was answered by IT and senior management. The questionnaire covered the following modules:

- Organisation profile, including sector and size
- Use of external ICT providers, frequency of use and the services bought in
- Use of local and international providers, selection criteria and sources of dissatisfaction
- Spending outlook for external ICT services in 2026
- Investment intentions for 2026 by technology (AI, cybersecurity, cloud, analytics and others), on a four-point likelihood scale
- Cloud use, benefits realised and reservations
- Skills gaps by technology area and capabilities most important to strengthen
- Internal challenges for 2026 and obstacles to digital transformation
- How ICT investments are evaluated
- Factors expected to affect ICT spending by organisations in Cyprus

The responding organisations are weighted towards financial and professional services, which are also the largest ICT-buying sectors in the modelled market (Chapter 3). Participation was voluntary, which is likely to over-represent digitally active organisations, so results such as cloud adoption are read as upper bounds rather than national estimates.

The Vendor Survey

The Vendor Survey was addressed to ICT providers operating in Cyprus, and was answered by company owners and senior managers. The questionnaire covered the following modules:

- Company profile and services offered
- Revenue outlook for 2026 and revenue by customer sector
- Solutions delivered to clients by technology area
- Investment priorities by technology
- Talent needs, the factors that make skills hard to maintain, and their consequences
- Measures used to build capability
- Funding sources for client ICT projects
- Views on startups and on the factors expected to affect ICT spending in Cyprus

Vendor results describe the experience of the domestic supplier layer. They are reported as the balance of provider responses, are not weighted by firm size, and are not presented as estimates for the ICT industry as a whole.

The interview programme

Interviewees were selected for their position in the policy, supervisory and industry system, and are listed in Table P.5. Interviews were semi-structured and followed a guide adapted to each role, covering the market's position, policy, technology trends, talent, investment and outlook.

Appendix C: Research Source Register

C.1 Cyprus official sources

Organisation	Publication	Date	Used for	Status
CYSTAT	National accounts, revised	Oct 2025	GDP 2024 €34.77bn; ICT GDP €3.59bn; +17.5% nominal, +11.3% real	Actual
CYSTAT	Services and transport survey	Jul 2026	ICT employment 28,440 (2024); production value +22.0%	Actual
CYSTAT	GDP by sector, provisional	Jan 2024	ICT GVA €2.33bn and 9.6% share (2022); 4.3% share (2013)	Actual
CYSTAT	Job vacancy statistics Q1 2026	Jun 2026	13,905 vacancies; 2.8% rate; sectoral breakdown; NACE Rev. 2.1 break	Actual
Central Bank of Cyprus	Foreign Direct Investment 2024	Jan 2026	Full FDI decomposition; SPE adjustment; net FDI income; rates of return	Actual
DMRIDP	2026 budget presentation to House Finance Committee	Oct 2025	€172.86m total; €70.06m regular; €102.80m development; 36 RRP actions	Actual
DMRIDP	Deputy Minister address, 5th CITEA Digital Conference	Jul 2026	Pharos-CY; SME digital intensity 74.35%; StartupBlink; UN EGDI; Open Data	Actual
State Aid Control Commissioner	Decision on Pharos-CY grant scheme	17 Jul 2026	€6m scheme; Art. 28 GBER; SME beneficiaries	Actual

C.2 European Union sources

Organisation	Publication	Date	Used for	Status
European Commission	Cyprus 2026 Digital Decade Country Report	17 Jun 2026	Roadmap €0.98bn / 62 measures / 50% expiring; RRP €300m; 14 edge nodes; 4 unicorns; recommendations	Actual / Estimate
European Commission	Cyprus 2025 Digital Decade Country Report	2025	ICT specialists 5.0%; women 23.7%; basic skills 49.5%	Actual
European Commission	Cyprus 2024 Digital Decade Country Report	2024	FTTP 77.1%; VHCN growth 28.5%; skills by age band	Actual
Eurostat	isoc_eb_ai	Dec 2025 – Jun 2026	Cyprus AI adoption 9.27%; EU 19.95% (2025), 13.5% (2024)	Actual
Eurostat	isoc_bde15ag, ICT sector database	2024–26	Comparator ICT GVA and employment shares; confidentiality flags	Actual
Eurostat	R&D expenditure statistics	Dec 2025	Cyprus GERD 0.65% of GDP; EU 2.24%	Actual
Eurostat	GBARD	Aug 2026	€111.99m (2025) vs €150.61m (2024)	Actual
Eurostat	Electricity price statistics H2 2025	2026	Cyprus non-household prices 2nd highest in EU	Actual
Eurostat	Structural business statistics	2026	EU SME value added and employment shares	Actual
European Commission	European Innovation Scoreboard 2025, Cyprus profile	Jul 2025	PCT patents 54.6%; designs 36.0%; extra-EU exports 69.8%; high-tech employment 14.6%	Actual
European Commission	SBA Fact Sheet Cyprus	n/a	SMEs 77.7% of VA; 84.1% of employment; avg 3.8 persons	Actual
EURES	Labour Market Information: Cyprus	latest	Workforce nationality composition vs EU	Actual

Organisation	Publication	Date	Used for	Status
European Commission	RRF payment updates	Mar 2026	5th payment partially disbursed	Actual

C.3 International organisations

Organisation	Publication	Used for	Status
World Bank	World Development Indicators	ICT service exports US$9.12bn (2024); export share ratios	Actual
WIPO	Global Innovation Index 2025	Cyprus 25th globally, 2nd in region	Actual
UN DESA	E-Government Development Index	Cyprus 38th of 193	Actual
IMF	Article IV / forecast revisions	GDP growth 2.9% (2025), 2.8% (2026)	Forecast
UNCTAD	World Investment Report 2024	Comparative FDI inflow context	Actual

C.4 Industry research and benchmarks

Organisation	Used for	Status
KPMG Cyprus (with TechIsland / Women In Tech Cyprus)	Tech sector €5.9bn / 16.2% GDP (2025); ICT GVA €4.1bn / 12.5%; +435% 2016–2025; 48,200 employed; ICT 17% of FDI stock	Estimate
Gartner IT Key Metrics Data / Avasant Computer Economics / IDC Worldwide IT Spending Guides	IT spend as % of revenue by industry; security as % of IT budget, model inputs	Estimate: accessed via published benchmark compilations
StartupBlink	Global Startup Ecosystem Index 2026, fastest-growing EU ecosystem, 3 consecutive years	Actual
Dealroom	Cyprus startup ecosystem; €85.5m raised 2021; Global Tech Ecosystem Index 2026	Actual
Atomico	State of European Tech: Estonia per-capita leadership (comparator)	Actual
PitchBook	Q3 2025 European Venture Report, European VC context	Actual
Mordor Intelligence	Cyprus telecom mobile market shares; Epic EIB €19m; Cyta Netcracker €19m	Estimate / partly contested
Emerald Zebra	Cyprus Salary & Workforce Insights Report 2025, salary benchmarks	Estimate
Speedtest Global Index	Average mobile download speed 108.97 Mbps (Jun 2025)	Actual

C.5 Academic and company sources

Source	Used for	Status
Antonakakis, N. & Lois, P., University of Nicosia, "Cyprus Economy 2026: the numbers prosper, real value leaks away", 15 Jun 2026	Primary income deficit; enclave-economy thesis; skill mismatch; energy as a tax on production; housing offsetting wage growth	Actual / Estimate
Cyta / Sparkle	BlueMed landing Oct 2025; 4 fibre pairs; >25 Tbps per pair; CEF funding; new data centre phase 1 early 2027	Actual
center3 (stc group) / Alcatel Submarine Networks	EMC West; RFS Q1 2026; "EU East Data Gateway" positioning	Actual
Invest Cyprus	Gross FDI inflows €8.5bn (2024), +60%, 2nd in EU	Estimate
US Department of Commerce	Cyprus ICT and Digital Economy commercial guides	Actual

C.6 Items flagged as contested or unresolved

- KPMG's "third in the EU" ICT ranking does not reconcile with Eurostat's published series; on available data Cyprus is second. Requires direct isoc_bde15ag verification.

- PrimeTel market status: one industry source reports a 2023 exit; consumer sources list it as an active provider in 2026. Requires OCECPR verification.
- The €50.1bn Russian disinvestment and €33.1bn non-Russian inflow figures are Tier 3 and require verification against Central Bank geographic tables.
- The €2.5bn "new foreign capital into the tech sector" figure is interpretable only as a gross inflow attribution; its underlying definition is not published.
- Recorded ICT service exports exceed recorded ICT production value by more than twofold; the cause is unresolved pending Central Bank EBOPS detail.

C.7 Sources added in the final research round

Organisation	Publication	Used for	Status
OCECPR	Electronic communications market statistics to December 2024	Mobile penetration 163.5%; fixed broadband +1.79%; 81.5% at ≥100 Mbps; 4.7% above 1 Gbps; fibre 76.8% of fixed market; 1.10 TB per line; data volume +15.4%	Actual
Eurostat	isoc_cicce_use: cloud computing use by enterprises 2025	EU 52.7% cloud adoption; Finland 79.2%, Italy 75.6%, Malta 74.9%; Bulgaria 17.8% lowest	Actual
Eurostat	isoc_eb_das: data analytics 2025	EU 39.85%; Denmark 60.0%, Estonia 56.0%	Actual
Cyprus Shipping Chamber	Annual Report 2025	Sector contribution €1.9bn; shipmanagement revenue €978m H1 2025 (5.5% of semi-annual GDP as turnover); ≈2,900 vessels; 161m gross tonnes	Actual / Estimate
Shipping Deputy Ministry / Maritime Cyprus 2025	Conference proceedings, October 2025	Tonnage +20% over two years; tonnage-tax companies +15%; ship-management GDP contribution +27%; ministry digitalisation commenced	Actual
CySEC	Circular C700 and CIF register	DORA ICT risk framework, incident reporting and resilience testing obligations from 17 Jan 2025; Cyprus licenses more CIFs than any other EU jurisdiction	Actual
Council of Ministers	Strategy for Attracting Businesses, decision 15 Oct 2021, in force 2 Jan 2022	Headquartering mechanism; €200,000 threshold; third-country employment provisions	Actual
European Commission	SBA Fact Sheet and structural business statistics	Cyprus SMEs 77.7% of value added, 84.1% of employment, 3.8 persons average; EU value added per person €55,000	Actual

C.8 Regulatory and supervisory sources

Source	Publisher	Used for	Tier
Law 60(I)/2025, Security of Networks and Information Systems (Amending) Law 2025, Official Gazette No. 5036, 25 April 2025, transposing Directive (EU) 2022/2555	Republic of Cyprus	Scope of the national cybersecurity regime; sectoral expansion; incident notification framework (Article 35B of Law 89(I)/2020 as amended)	1
Law 89(I)/2020, Security of Networks and Information Systems Law, Part Three, Digital Security Authority	Republic of Cyprus	Establishment, competences and structure of the Digital Security Authority	1
Directive (EU) 2022/2555 (NIS2)	European Union	Baseline early-warning and notification deadlines against which the national requirement is compared	1

Source	Publisher	Used for	Tier
Call for proposals NCC-CY-ENTERPRISES/0925, “Enhancing Cybersecurity for Small and Medium Enterprises in the Republic of Cyprus 2025”	Research and Innovation Foundation with the Digital Security Authority as NCC-CY; Cyprus funding programmes portal	Scheme budget (€1.5m), grant range (€20,000–€65,000, or €75,000 with ENISA AR-in-a-Box), 70% funding rate, deadline 18 November 2025	1
“Strengthening National Cyber Resilience Amid Global Instability”, article by the Commissioner of Communications	Digital Security Authority / Gold Magazine, 2025	Supervised entity expansion (70 to around 600); national CSIRT handling of more than 500 reported incidents in 2024; sectoral incident distribution (Finance 24%, Telecommunications 19%, Energy 14%); ICT Academy activity; NCC-CY funding (€1m distributed, €5.5m across four further initiatives)	1
Digital Security Authority corporate information, including organisational structure and competences	Digital Security Authority (dsa.cy)	Institutional role, NCC-CY function, planned permanent recruitment	1
Office of the Commissioner of Electronic Communications and Postal Regulation (OCECPR / ΓΕΡΗΕΤ), institutional pages and recruitment notices	Office of the Commissioner of Communications (ocecpr.ee.cy)	Confirmation that the Commissioner of Communications (Επίτροπος Επικοινωνιών) heads both the electronic communications and postal regulator and the office under which the Digital Security Authority operates; corroboration that Digital Security Engineer recruitment is conducted by this office	1
Cyprus National Cybersecurity Strategy	Republic of Cyprus / Digital Security Authority	National strategic framework and its relationship to the instruments in Chapter 15	1
Legal commentary on the adoption of NIS2 in Cyprus, 2025	Harneys; PwC Cyprus; Michael Kyprianou; Eversheds Sutherland	Corroboration of the six-hour initial notification and 72-hour full notification; penalty ceilings; the conflicting pre-adoption statement of the 24-hour early warning	3
Interview with Marios Pieris, Commissioner of Communications	Qualitative research for this study, 2026	Regulated population (approximately 60 to approximately 520); cybersecurity workforce requirement (approximately 1,900); training reach (approximately 9,500); coordination centre staffing; applicant volumes; healthcare preparedness; national capability build; public–private expertise reserve; international cooperation	Primary: attributed, unverified except where stated

Sources added for the regulatory and supervisory analysis in Chapters 10, 11, 13, 15, 17, 22 and 24. Tier 1 denotes official or legislative sources; Tier 3 denotes professional and industry commentary, used here only for corroboration of a legislative detail that the primary text did not yield on inspection.

One item could not be resolved to Tier 1. The full text of Article 35B of Law 89(I)/2020 as amended, which contains the notification deadlines, was not retrievable in a machine-readable form during this research round. The six-hour figure therefore rests on the supervisory interview and on post-adoption legal commentary rather than on direct citation of the statutory provision. It remains an open item.

C.9 Sources added for the policy evidence verification

Source	Publisher	Used for	Tier
Digital Intensity Index, dataset isoc_e_dii, indicators E_DI3_GELO / E_DI3_HI / E_DI3_VHI, reference year 2025 (version 3); version 4 for 2024	Eurostat	Enterprise digital intensity by breadth and depth; Cyprus ranks 11th, 14th and 20th on the 2025 series and 8th on the 2024 series	1

Source	Publisher	Used for	Tier
ICT specialists in employment, dataset isoc_sks_itspt	Eurostat	24,700 ICT specialists in 2025, 4.9% of employment; 2023 peak of 26,600; decade CAGR of 9.9%	1
Digital Decade country annex for Cyprus, SWD(2026) 155	European Commission	Cross-validation of the digital intensity figures	1
Open Data Maturity 2025 report and highlights; 2024 highlights	European Commission / data.europa.eu	Cyprus 95%, trend-setters cluster, fifth to sixth of 36 assessed; 94% in 2024; full marks on open data governance	1
GovTech Maturity Index, 2025 Update (third edition)	World Bank	Cyprus in Group A of four, across 197 economies; Group A contains 80 economies; the index publishes no ranking; Cyprus scored 0.72 and sat in Group B in 2022	1
Cyprus Recovery and Resilience Plan country page; Council Implementing Decision ST-17052-2024; Regulation (EU) 2021/241 Article 18(4)(f)	European Commission; Council of the EU	Digital share of 30.03%; grants of €1,020.2m and loans of €200.3m; the 20% EU minimum digital target	1
Scheme for the Digital Upgrade of Enterprises; THALIA 2021–2027	Ministry of Energy, Commerce and Industry; THALIA	€30m total across three calls; grant range and funding rates; first call exhausted on opening day	1
Global Startup Ecosystem Index 2024, 2025 and 2026	StartupBlink	Cyprus 34th globally in 2026, growth of 62.7%, ecosystem value of $4.2bn, 557 startups tracked; fastest-growing in the European Union for three consecutive years; five non-EU European countries grew faster in 2026	3
Invest Cyprus 2026 annual general meeting materials and 2024 foreign investment release	Invest Cyprus	€8.5bn gross FDI inflows in 2024, of which €2.6bn attributed to technology; the unsourced per-capita ranking	3
33East fund announcements; European Investment Bank and European Investment Fund materials; Cyprus Equity Fund	33East; EIB/EIF	€35m at second close; two-compartment structure; €19m public commitment via the Recovery and Resilience Plan; first EIF-backed Cyprus venture fund	3
Plug and Play Cyprus launch and cohort announcements, 2026	Plug and Play; Deputy Ministry; RIF	Programme structure, public co-funding, corporate partners, cohort composition	3
Council of Ministers Decision 98.229; State Aid Control Commissioner clearance; RIF “AI in Government” programme; National AI Strategy consultation	Republic of Cyprus	AI funding instruments and their status at September 2026	1
Technology sector assessment, 2025 reference year	KPMG Cyprus	48,200 sectoral employment and its nationality composition of 31,700 Cypriot, 4,100 other EU and 12,400 third-country nationals	3

Appendix D: Abbreviations

Abbreviation	Expansion
BFU	Business Facilitation Unit
CAGR	Compound annual growth rate
CBC	Central Bank of Cyprus
CEF	Connecting Europe Facility
CIF	Cyprus Investment Firm
CRA	Cyber Resilience Act
CySEC	Cyprus Securities and Exchange Commission
CYSTAT	Statistical Service of Cyprus
DESI	Digital Economy and Society Index
DMRIDP	Deputy Ministry of Research, Innovation and Digital Policy
DORA	Digital Operational Resilience Act
EIB / EIF	European Investment Bank / European Investment Fund
EMC	East Med Corridor
FDI	Foreign direct investment
FTTP / FTTH	Fibre to the premises / to the home
GBARD	Government budget allocations for R&D
GERD	Gross domestic expenditure on R&D
GESY	General Healthcare System of Cyprus
GVA	Gross value added
HRDA (AnAD)	Human Resource Development Authority
IP Box	Intellectual property box tax regime
KEVE	Cyprus Chamber of Commerce and Industry
MDR	Managed detection and response
NACE	EU statistical classification of economic activities
NIS2	Network and Information Security Directive 2
OCECPR	Office of the Commissioner of Electronic Communications and Postal Regulation
DSA	Digital Security Authority (Αρχή Ψηφιακής Ασφάλειας), operating under the Commissioner of Communications
NCC-CY	National Cybersecurity Coordination Centre, Cyprus
CSIRT	Computer security incident response team
RIF	Research and Innovation Foundation
RRF / RRP	Recovery and Resilience Facility / Plan
SPE	Special purpose entity
VHCN	Very High Capacity Network

About the Cyprus Computer Society (CCS)



The Cyprus Computer Society (CCS) is a professional, independent not-for-profit organisation seeking to improve and promote high standards among informatics professionals, in recognition of the impact that informatics has on the economy, society, organisations, and citizens' quality of life. Established in 1984, the CCS has been active in education and training, as well as research and development, through the organisation of high-quality events and working groups, collaborations with local and foreign public and private organisations, the implementation of European projects, and active participation in international associations and consortia.

This report signifies the commitment of the CCS to enhance and expand the portfolio of services it offers to the ICT and business community. We envisage that it will prove useful for both foreign investors in the ICT field and the domestic business community.