Regional development in the context of economic reform: The case of Limassol

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Abstract

Regional development occurs in the larger context of national economies. Thus, the elaboration of regional economic development strategies cannot be separated from higher-level economic policy which frames and conditions opportunities and risks for regional development. As a Southern European country undergoing a process of profound structural economic reform, Cyprus provides a case for a policy context aiming towards the emergence of a new model of economic growth. Within this context, the Limassol region as one of the country's major economic centers with a number of comparatively strong industries can serve as an example of how to promote regional development in the framework of national reform priorities such as moving the national economy closer towards a knowledge- and innovation-driven model. The present study analyses current reform priorities on the national and supra-national level, takes stock of the regional economic structure of Limassol district, and presents some preliminary ideas that could be further explored if and when a comprehensive regional economic development strategy for Limassol were to be elaborated.

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Key words: regional development; regional policy; smart specialisation; smart specialization; clusters; tourism; economic reform; Limassol; Lemesos; Cyprus; European Union

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ANELEM	Development Agency of Lemesos (Limassol)
CCCI	Cyprus Chamber of Commerce and Industry
CF	Cohesion Fund
CSA	Cyprus Shipping Association
CSD-OP	Operational Programme "Competitiveness and Sustainable Development"
CTO	Cyprus Tourism Organisation
EAFRD	European Agricultural Fund for Rural Development
ECB	European Central Bank
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
est.	estimated
EU	European Union
ICT	Information and communication technologies
IMF	International Monetary Fund
LCA	Larnaca Airport
LCCI	Limassol Chamber of Commerce and Industry
MECIT	Ministry of Energy, Commerce, Industry and Tourism
MICE	Meetings, incentives, conferences, and exhibitions
NRP	National Reform Programme (2016)
OEB	Cyprus Employers and Industrialists Federation
PA	Partnership Agreement
PFO	Paphos Airport
R&D	Research and development
RIS3	Regional Innovation Strategy for Smart Specialisation
RTDI	Research, technology, development, and innovation
S3CY	Smart Specialisation Strategy for Cyprus

SME	Small and medium-sized enterprises
STP	Cyprus Science and Technology Park
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children’s Fund
UNWTO	(United Nations) World Tourism Organization
WHO	World Health Organization
YEI	Youth Employment Initiative

Preface

Regional development occurs in a larger context of economic and social trends on the national, and often supra-national, level. This means that the elaboration of regional economic development strategies cannot be separated from higher-level economic policy which frames and conditions opportunities and risks for regional development.

The current context of profound structural economic reform in Southern European economies offers an interesting case for embedding regional development into the formulation and implementation of economic policies designed to facilitate the emergence of new, sustainable models of economic growth and employment creation. Regional policy has an important role to play in upgrading localized sectors' and industries' competitiveness, thereby reinforcing top-down strategic thrusts of national economic reform policies in a bottom-up direction.

Cyprus is among those Southern European countries undergoing such a process of structural economic reform, and it can arguably be regarded as one of the more successful cases so far, given that it exited the bailout-related economic adjustment program in March 2016 (Republic of Cyprus 2016: 2). Although being a small country, Cyprus features a handful of regions with their own distinctive economic profiles and structures. The Limassol district is one of these regions. While neither being a capital city nor the largest city in Cyprus, Limassol (Lemesós) exhibits a regional economic structure based on a number of comparatively strong sectors and industries. Thus, the question of how to promote Limassol's regional economy over the years to come in line with overarching national-level strategies focusing on increasing the Cypriot economy's competitiveness and innovativeness and on reinforcing the emergence of a more knowledge- and innovation-driven growth model is highly interesting from both a scientific and a policy-oriented point of view.

Analyzing this question was the guiding idea of a seminar on regional economic policy at Heidelberg University in the winter term of 2016/2017. A small group of students performed desk research on economic policy in Cyprus and on regional development in Limassol to come up with preliminary ideas on how to promote Limassol's regional economy in line with national and supra-national (that is, EU-level) reform priorities and objectives. The development of a comprehensive regional economic development strategy would require in-depth quantitative and qualitative explorative research on the ground including semi-standardized interviews with a considerable number of enterprises and other stakeholders regionally and nationally. Such a task was well beyond what could be done in the framework of a university seminar. Still, under the methodology applied and accounting for the methodology's inherent limitations and constraints, the present study does reveal – in a preliminary sense – some patterns that might further be explored if and when a comprehensive regional development strategy for the Limassol district were to be designed.

We hope that this study will contribute to the ongoing discourse on regional development in the context of structural economic reform and provide some insights to policymakers and researchers.

Maximilian Benner
Heidelberg, February 2017

1 Introduction

The Republic of Cyprus as a Mediterranean member state of the European Union (EU) is currently undergoing a process of structural economic reform, driven notably by the country's exposure to financial crisis in 2011. The country is in the process of transitioning towards a new model for economic growth. This transition will in all likelihood have repercussions on the country's regional economies.

At the same time, as an EU member state the country performs its regional policy within the framework of EU cohesion policy, structural funds, and policy approaches including smart specialisation.[1] This policy context enables regional development initiatives aligned with the country's economic reform priorities.

Considering the small size of the country, regional development can arguably be pursued in a handful of urban centers with their suburban zones such as Nicosia, Limassol, Larnaca, Ayia Napa, and Paphos.[2] Each of these regions merits analytical attention since unlocking endogenous development of these regions can contribute to the development of a new economic growth model for the country.

The present study draws analytical attention to the region of Limassol which exhibits a number of features that make it a driver of spatial development in Cyprus. The goal of this study is to embed perspectives for regional development in Limassol into the overarching context of economic policy and reform on the national level, including the national-level smart specialisation strategy.[3]

The present study was prepared as part of a seminar in economic geography at Heidelberg University. As a student research project, several methodological caveats apply. To come up with a comprehensive regional development strategy for Limassol, in-depth qualitative research with explorative interviews will be necessary. Since research on the ground was not possible within the framework of this student research project, the insights and ideas

[1] Throughout this study, American spelling has been used, except for official names of organizations or documents which follow British spelling.
[2] Regions in the Northern part of the country which is not effectively under the control of the Republic of Cyprus are not considered here because of markedly divergent political and economic conditions.
[3] Usually, the smart specialisation approach within the EU refers to the development of regions. Given its small size, however, the whole Republic of Cyprus is covered by one smart specialisation strategy.

presented in this study are derived exclusively from desk research[4] and thus should be regarded as preliminary. Still, this study presents some possible avenues for seizing Limassol's endogenous economic opportunities that might be further pursued by future, in-depth research.

The study is structured as follows: In the next chapter, the national economic context of Cyprus will be presented. This step will include an overview of major EU and government policies governing structural policy in the Republic of Cyprus.[5] Then, a stocktaking exercise of Limassol's regional economy and its major sectors including some notable companies and supporting economic agents will clarify the role of the Limassol region in the country's overall economic landscape. Based on this (limited and non-comprehensive) regional stocktaking exercise, the authors elaborate on some preliminary ideas for further improving regional economic development prospects for the Limassol region, and draw conclusions which might guide the in-depth design of future regional development strategies for the Limassol region.

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[4] In some instances, sources were available only in Greek language. Since none of the authors speaks Greek, information was translated with the assistance of online translation tools.

[5] The economic and political conditions in the Northern part of Cyprus will not be considered here. Nevertheless, it should be noted that in case the current or future rounds of reunification talks succeed, the shape of post-reunification Cyprus will certainly have important effects both on national economic policy and on regional development all over the island.

2 Country Context

To set the stage for the presentation of Limassol's regional economy, the national context of Cyprus will be considered first. To this end, the historical development of the country will be shortly introduced, and the economic situation of Cyprus will be examined to allow for a deeper understanding for Limassol's development so far.

Since the events of 1974, the island of Cyprus is a *de-facto* politically divided island. The Republic of Cyprus is effectively not controlling the Northern part of the island and the self-proclaimed "Turkish Republic of Northern Cyprus" is recognized solely by Turkey. In 2004, Cyprus entered the EU although the *acquis communautaire* is currently applied only in the part of the island effectively controlled by the Republic of Cyprus (Central Intelligence Agency 2017).

While EU membership is thus an important framework condition for economic policy in the part of the island effectively controlled by the Republic of Cyprus (which is the part of the island this study focuses on), the effects of the *de-facto* political division of the island and its economic repercussions should not be ignored. It is important to note that in the case of a future settlement and of a resulting new political and administrative framework effectively reuniting the island, new challenges and opportunities for economic policy will arise (such as new opportunities for market access and the need to upgrade the competitiveness of sectors and enterprises accordingly, as well as institutional alignment). Such a change would certainly impact regional development, including in Limassol.

2.1 Economic situation and structure of Cyprus

Cyprus is an EU member state since May 2004 and became a member of the currency union in 2008, introducing the euro as legal tender. During the first years of EU membership, the Cypriot economy grew by roughly 4 percent and witnessed low unemployment. The global financial crisis in 2009 hit Cyprus and confronted the country with difficulties in its financial sector and government budget in 2011, leading to a bailout by the European Commission, the European Central Bank and the International Monetary Fund, the so-called "Troika" (Central Intelligence Agency 2017).

The country's GDP totalled EUR 17.4 billion in 2015. Per-capita income increased from EUR 18,751 in 2014 to EUR 20,363 in 2015. The rate of economic growth slowed down since 2009 due to the financial and economic crises and intensified competition in the tourism sector. Upon the set-on of the banking crisis, the country slipped into recession. In 2015, GDP growth increased to 1.6 percent after a significant contraction (–2.5 percent) in 2014. For 2016, the Cypriot government predicted a growth rate of 2 percent. Thus, on the macro-economic level the Cypriot national economy appears to be in a process of recovery after its severe structural crisis (Auswärtiges Amt 2017b).

Table 1: Percentage of sectors in GDP and labor force

Sector	**GDP by sector of origin (2016 est.)**	**Labor force by occupation (2014 est.)**
Agriculture	2.3 %	3.8 %
Industry	10.4 %	15.2 %
Services	87.2 %	81 %

Source: own work with data from Central Intelligence Agency (2017).

As shown in Table 1, the service sector dominates the economy with a share of 87.2 percent of GDP, which is also confirmed by the percentage of the labor force working in the service sector (81 percent). The service sector is marked by strong tourism, financial services, shipping, and real estate industries (Central Intelligence Agency 2017).

The strength of the tourism sector in the southern areas of the island is affected by the *de-facto* division of the island (InLimassol 2017), as some formerly important tourist destinations like Famagusta and Kyrenia are located in the Northern part of the island and are thus not under the effective control of the Republic of Cyprus. Today, tourism is a major contributor to the national economy. In 2015, tourism generated revenues of EUR 2,112.1 million (Republic of Cyprus Statistical Service 2016b). From January to December 2016, Cyprus registered a total of 3,186,531 tourist arrivals, with 36.3 percent of international tourists coming from the United Kingdom, 24.5 percent from Russia, 5.0 percent from Greece, 4.7 percent from Israel, and 3.9 percent from Germany (Republic of Cyprus Statistical Service 2017).

The tourism sector in Cyprus is currently experiencing further growth. From 2014 to 2015, the number of tourist arrivals in Cyprus grew by 8.9 percent (UNWTO 2016: 8) while comparing the arrivals figures of 2015 and 2016 reveals further, spectacular growth of 19.8 percent (Republic of Cyprus Statistical Service 2016a).

The real estate and financial services industries benefit from targeted strategic support by the government of the Republic of Cyprus. Notably, the government's program "Citizenship by

Investment" stimulated the real estate and financial sectors in Cyprus by granting nationals of third countries a permanent residence permit upon investment in real estate and a bank deposit in Cyprus. In particular, the program attracted applicants from Russia and China (Auswärtiges Amt 2017b).

Agricultural production plays an important role in Cyprus. This role is not so evident in the contribution of the agricultural sector to GDP. Rather, agriculture production is important as a part of agri-food value chains leading up to food processing industries. Agricultural products include citrus fruit, dairy products including cheese, grapes, olives, poultry, and lamb (Central Intelligence Agency 2017). As a result of the climatic conditions and soil quality in Cyprus, the island offers good conditions for the cultivation of fruits and vegetables. Among the most important agricultural products are citrus fruits which are harvested from October to June. Citrus fruits cultivated in Cyprus include several varieties of oranges, lemons, grapefruits and easy peelers. Oranges are often exported as juice. In winter and spring, considerable amounts of early potatoes and red beet are shipped overseas. Furthermore, melons, figs and tropical fruits like avocados are grown in Cyprus. In the last years, demand for lettuces and vegetables available all year round witnessed a surge, including notably okra, fenugreek, fresh herbs, coriander, taro, and china beans (Triplemind GmbH 2017).

Winemaking is another important agri-food value chain in Cyprus. Not only is wine production prevalent in Cyprus, but so is production of other grape products such as grape leaves, grapes, sultanas, raisins, Zivania pomace brandy, and hot wine punch. Fifteen indigenous grape varieties are cultivated on 23,500 hectares of land. The two biggest wine-growing areas of the island can be found on the southern slopes of the Troodos mountains around Limassol and in the south-western parts close to Paphos (Triplemind GmbH 2017).

In the industrial sector, major manufacturing industries include foodstuffs, textiles and clothing, furniture, ship repair, clay, gypsum, and copper, although the sectoral composition of the economy (Table 1) highlights the comparatively small size of manufacturing. When it comes to foreign trade, export products including citrus fruits and potatoes but also pharmaceuticals, cement and clothing are exported to export partners such as Greece (10.9 percent of export volume), Ireland (10.2 percent), the United Kingdom (7.2 percent), and Israel (6 percent), and the export volume totals USD 2.635 billion (2016 est.). In comparison, Cyprus imports products such as consumer goods, petroleum and lubricants, machinery, and transport equipment, with its major import partners being Greece (25.7 percent of import volume), the United Kingdom (9.1 percent), Italy (8 percent), Germany (7.5 percent), Israel

(5.5 percent), China (4.8 percent), and the Netherlands (4.1 percent). The import volume reaches a total of USD 6.042 billion (2016 est.), implying a considerable imbalance in foreign trade (Central Intelligence Agency 2017).

2.2 Cyprus and the crisis of 2011

Cyprus was severely affected by the global financial crisis, mainly through its financial sector and not least as a spillover from the Greek crisis, since the economies and financial sectors of both countries are strongly interconnected with each other. Loans by Cypriot banks to Greece were not paid back after debt relief was granted to Greece in the spring of 2012. Cyprus suffered considerably because of the comparatively large size of its banking sector with approximately EUR 70 billion of deposits in comparison to the country's GDP of only EUR 18 billion. Deposits by foreign nationals and particularly Russian nationals were a major reason for this inflated banking sector, combined with an attractive tax regime. When the financial sector was hit by crisis, the country had to cope with high public debt (Deutsche Welle 2013; Böcking and Christides 2016).

In the summer of 2012, Cyprus applied for EU assistance and has consequently pursued a strict program of structural reform and austerity. While Greece was the first country to apply for EU assistance and is still in the process of painful reform, Cyprus was the last country so far to request support and was able to exit the rescue program after three years, presumably benefitting from the lessons learned by the "Troika" (European Commission, European Central Bank, and International Monetary Fund) during the implementation of rescue programmes for Ireland and Portugal. In Cyprus, the corporate tax rate was raised moderately from 10 to 12.5 percent, allowing the country to keep one of the lowest corporate tax rates in the EU (together with Ireland). The banking sector was decisively restructured and deposits exceeding a value of EUR 100,000 were swapped into equity, hurting savers and foreign investors but stabilizing the financial sector (Deutsche Welle 2013; Böcking and Christides 2016).

As part of readjusting the country's economy to a post-crisis growth trajectory, structural economic reform was designed to construct a new and more balanced growth model for the Cypriot economy. While Cyprus officially exited the bailout-related economic adjustment program in March 2016 (Republic of Cyprus 2016: 2), efforts to enhance the competitiveness of the Cypriot economy and to facilitate growth and employment creation are ongoing. The following section gives an overview of the major strategic thrusts guiding these efforts of structural economic reform.

2.3 Economic policies and strategies

This section introduces the most important economic policies and strategies pursued by the Cypriot government under the umbrella of EU programs and assistance, as well as their objectives, priorities, and fund allocation.

2.3.1 National Reform Programme (NRP) and Partnership Agreement (PA)

The National Reform Programme (NRP) is an action plan for stimulating growth through structural reform. It is submitted annually under the umbrella of the European Semester. The aim of the 2016 NRP is to enhance the competitiveness of the Cypriot economy and to unleash its potential for investment. Furthermore, the goal is "to develop a robust, more balanced and sustainable new growth model that will be less vulnerable to external shocks and will give rise to jobs and welfare" (Republic of Cyprus 2016: 5). The priorities set through the 2016 NRP's "Action Plan for Growth" are meant to guide the government's policy and spending decisions, and are aligned to the targets of the EU's overarching Europe 2020 strategy with its orientation towards smart, sustainable and inclusive growth (Republic of Cyprus 2016).

Key policy responses to major economic challenges identified in the 2016 NRP include improving the business environment as well as the labor market, education and research, and innovation. Further key responses consist in modernizing public administration and public financial management. Other action areas include privatization, the energy industry, the tourism sector, and healthcare. A total amount of EUR 956 million from the European Structural and Investment Funds (ESIF) has been allocated to Cyprus for the programming period from 2014 to 2020 to implement the NRP. Of this total amount, EUR 784 million are funded through the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), and Youth Employment Initiative (YEI). EUR 132.2 million are allocated through the European Agricultural Fund for Rural Development (EAFRD) with the remainder (EUR 39.7 million) coming from the European Maritime and Fisheries Fund (EMFF). As part of the common procedure of EU cohesion policy, Cyprus has prepared a Partnership Agreement (PA) with the European Commission. The aim of the PA is to ensure consistency and coordination among ESIF allocations to Cyprus, and to ensure alignment with the goals of the Europe 2020 strategy. The PA's main strategic foci are put on restructuring the country's economy, preserving and creating employment, and safeguarding social cohesion (Republic of Cyprus 2016).

Table 2 shows the distribution of funds along thematic objectives. It is evident that Cyprus allocates 42 percent if its ESIF funding (thematic objectives 1, 2, 3, 7, and 11) to support the restructuring of the economy and the enhancement of its competitiveness (priority 1 of the PA), 20 percent (thematic objectives 8, 9, and 10) for the promotion of employment and social cohesion and the upgrading of human resources (priority 2 of the PA), and the remaining 35 percent (thematic objectives 4, 5, and 6) for the protection of the environment and the promotion of efficient resource use (priority 3 of the PA) (Republic of Cyprus 2016).

Table 2: Allocation of funds to thematic objectives

Thematic objective	**Total ESIF funding (EUR million)**	**Percent of total**
1. Research and innovation	72,27	8,26
2. ICT	73,82	8,44
3. Competitiveness of SMEs	116,00	13,26
4. Energy	80,59	9,21
5. Climate change	23,07	2,64
6. Environment	203,4	23,25
7. Transport	99,25	11,34
8. Employment	92,55	10,58
9. Social inclusion and poverty	55,55	6,35
10. Education – life-long learning	26,25	3,00
11. Institutional capacity and public administration	5,06	0,58
Technical assistance	27,04	3,09
Total	874,85	

Source: modified after Republic of Cyprus 2016: 39.

The relevance of the NRP's and PA's priorities and allocations of ESIF funding for regional development are evident. For example, of the total amount of ESIF allocations (EUR 874.9 million), EUR 292.3 million or 33.4 percent are channelled through the ERDF (particularly through the thematic objectives of research and innovation, information and communication technologies, and SME competitiveness) – a larger part than any of the other structural funds. Adding EAFRD allocations (EUR 132.4 million or 15.1 percent of the total amount of ESIF funding) gives an indication of the likely direct impact of ESIF funding on regional development in Cyprus, while funding through the remaining structural funds will likely generate at least indirect regional-development effects (Republic of Cyprus 2016: 39).

For example, as part of the NRP's goal of enhancing entrepreneurship and SME development, a cluster promotion scheme is being developed. The Ministry of Energy, Commerce, Industry and Tourism (MECIT) plans to launch a public call for promoting cluster initiatives involving partnership and cooperation between businesses and related entities (such as higher education or research entities) with a total allocation of EUR 3.5 million for the current programming period until 2020. Another initiative focusing on innovation-driven regional development under the NRP is the development of the Cyprus Science and Technology Park (STP). The park is meant to host knowledge-intensive businesses and research units, and is supposed to be developed in cooperation with a strategic investor under a land lease agreement with the government (Republic of Cyprus 2016: 9-10).

2.3.2 Smart Specialisation Strategy (RIS3 or S3CY)

Regional Innovation Strategies for Smart Specialisation (RIS3) are a new tool in EU structural policy meant to contribute to the execution of the strategic objectives of the Europe 2020 strategy (smart, sustainable, and inclusive growth). Every region had to formulate RIS3 for the program period from 2014 to 2020 to be eligible for certain lines of ERDF funding. A RIS3 aims at discovering and promoting the specialization of regions through a participative entrepreneurial process of discovery involving dialogue and cooperation between public agents and enterprises in the process of setting policy priorities, allocating funds, and distributing roles and responsibilities in regional development (Foray, David and Hall 2009; Foray, Goddard et al. 2012; Rehfeld 2013; Benner 2014; 2017; Benner, Bieringer et al. 2016).

In the case of Cyprus, given the small size of the country, the RIS3 that was developed (Smart Specialisation Strategy for Cyprus or S3CY) covers all of the Republic of Cyprus

(Directorate-General European Programmes, Coordination and Development, Research Promotion Foundation and Cyprus Technical University 2014).

Objectives of the S3CY strategy include the development of a more knowledge- and innovation-based economy involving the development of research, technology, development and innovation (RTDI) infrastructure, support to the participation of small and medium-sized enterprises (SMEs) in RTDI activities, promotion of RTDI-related cooperation between business, academia, and policymakers. Priority sectors to be promoted under the S3CY strategy are tourism (including niches such as sustainable tourism, alternative forms of tourism, digital tourism applications), energy (including renewable energy, solar and photovoltaic technologies, solar heating and cooling, and storage and transfer), the agri-food industry (including, *inter alia,* agricultural and livestock production), the construction industry (including, *inter alia,* sustainable urban development, new materials, and cultural heritage), transportation (notably including marine transport and shipping), health (including e-health and the pharmaceutical industry), the environment (including, *inter alia,* eco-innovation and water resources), and information and communication technologies (Directorate-General European Programmes, Coordination and Development, Research Promotion Foundation and Cyprus Technical University 2014).

The priority sectors covered by the S3CY strategy exhibit a clear focus on the pre-existing sectoral strengths of the country’s economy, notably tourism, agri-food value chains, or the pharmaceutical industry (see section 2.1). Newer focus areas include energy and information and communication technologies (ICT). In general, the S3CY strategy demonstrated a strong orientation on further promoting these sectors (and synergies or convergence between them possibly including, for example, health tourism, digital tourism solutions, or environment/energy-related ICT solutions) through an increasingly knowledge- and innovation-driven economic model, given that R&D expenditure stands at only 0.48 percent of GDP (as of 2014) and thus falls far short of the EU target of 3 percent and the EU-28 average (2014) of 2.03 percent (Republic of Cyprus 2016: 41). Consequently, the S3CY strategy includes an action plan with a funding volume of EUR 139.5 million (consisting of both ESIF and national funds) to increase research, development and innovation (Republic of Cyprus 2016: 52-53). Developing such an economic model will arguably require efforts towards innovation-driven regional development involving schemes such as the clustering and STP initiatives described in the previous section under the 2016 NRP (see section 2.3.1).

2.3.3 Competitiveness and Sustainable Development Operational Programme (CSD-OP)

The Competitiveness and Sustainable Development Operational Programme (CSD-OP) is one of two operational programs for the implementation of ESIF support in Cyprus from 2014 to 2020 and covers the EDRF and the CF. In alignment with the priorities set by the NRP and the PA, the CSD-OP strives to support the economic restructuring of Cyprus, to preserve and create employment, and to safeguard social cohesion. Actions to be implemented with ESIF funding under the CSD-OP are supposed to "contribute to the enhancement of economy's competitiveness through investment in the sectors of Research and Innovation and Information and Communication Technologies and SMEs support. Interventions are also planned in the sectors of Environment, Energy and Transport, as well as for promoting integrated sustainable urban development in deprived areas" (Directorate-General European Programmes, Coordination and Development 2015).

Co-funding allocated under the CSD-OP in the program period from 2014 to 2020 focuses primarily on the following main priorities (European Commission 2017a):

- Reinforcing competitiveness (ERDF; 25.8 percent of EU funds) including the promotion of research and innovation, entrepreneurship, SME competitiveness (including the tourism sector), energy efficiency and renewable energy;
- Promoting ICT use (ERDF, 13.1 percent of EU funds) including, *inter alia,* digital entrepreneurship;
- Reducing CO2 emissions and adapting to climate change (Cohesion Fund; 7.5 percent of EU funds);
- Managing solid waste and water resources (Cohesion Fund; 22.6 percent of EU funds);
- Promoting sustainable transport (Cohesion Fund; 15.1 percent of EU funds);
- Sustainable urban development (ERDF; 10.7 percent of the EU funds).

The CSD-OP's priorities cover all of the EUR 292 million to be channeled through the ERDF and the EUR 269.5 million to be channeled through the CF under the priorities and thematic objectives identified in the NRP and PA (see section 2.3.1), thus ensuring alignment with the overarching goals of economic policy of the Republic of Cyprus.

The CSD-OP therefore creates a link between the strategies and priorities of national economic policy in Cyprus and concrete actions and interventions in regional development directed towards improving the competitiveness of enterprises and promoting innovation in the country's regions. Measures of regional development in line with the priorities of the CSD-OP and thus with the priorities of the NRP, PA, and S3CY can be supported with ESIF funding.

Expected impacts of actions funded the umbrella of the CSD-OP include, *inter alia,* supporting approximately 700 SMEs, bringing high-speed broadband coverage to a level of 50 percent of households, and creating 1,300 new jobs in SMEs (European Commission 2017a).

After this brief presentation of the strategic thrusts and priorities of the national economic policy of the Republic of Cyprus and support from the European Union to the reform and restructuring of the Cypriot economy, the next chapter will zoom in on the regional economy of Limassol.

3 Stocktaking of Limassol's regional economy

This chapter gives an overview of major structural features of the regional economy of the city and district of Limassol. Taking stock of important sectors and some notable enterprises and related or supporting agents (such as municipal administration, the regional development agency, chambers, associations, and higher education entities), the present chapter characterizes Limassol's regional economy and ongoing trends in regional development. This desk-research stocktaking exercise can by no means be regarded as comprehensive and would need to be complemented by more in-depth on-the-ground research, but it still allows for giving some indications of regional-development trajectories worth exploring further.

3.1 Overview of the Limassol region

Limassol is the second-largest city in Cyprus with an area covering 34.87 km² (Lemesos Municipality 2016a) and a population of 101,000 inhabitants as of 2011 (Republic of Cyprus Statistical Service 2012). It lies at the heart of Limassol district which is inhabited by more than 235,000 people (Republic of Cyprus Statistical Service 2012; Council of Europe 2016). Several agents of regional economic development can be found in the district:

- *Lemesos (Limassol) Municipality:* The municipality holds a central position in regional development. Its administrative responsibility includes but is not limited to the development of infrastructure, the maintenance and improvement of cultural institutions, and the governance of everyday political affairs (Lemesos Municipality 2016b). The Lemesos Municipality thus plays an important role in a number of development projects in and around Limassol, even if driven by corporate actors.

- *Development Agency of Lemesos:* The Development Agency of Lemesos (ANELEM) is another important player. Founded in 2005, the agency's main objective is providing support to local companies and authorities regarding the implementation of European co-funded programs and national programs (ANELEM 2016a). Services offered include feasibility studies, finance and accounting support, and the submission of funding requests (ANELEM 2016b). Further, the agency is planning to offer training programs for subjects such as financial planning for local authorities, regional policy, and green entrepreneurship (ANELEM 2016c). In conclusion, ANELEM fills a mediating position between local and European actors and attempts to facilitate regional development by assisting local stakeholders and enhancing their capacities.

- *Limassol Chamber of Commerce and Industry:* The Limassol Chamber of Commerce and Industry (LCCI) is another important player in regional development in the Limassol district. It was created in 1962 and serves to promote the interests of the Limassol business community and to ensure economic development in the district, including through its involvement in planning some major projects such as the industrial area, the new port, or the Cyprus Technical University. (Limassol Chamber of Commerce and Industry 2016a). Unlike in other European countries (e.g. Germany, Austria), membership is not mandatory for businesses. Nevertheless, the LCCI has 722 members, coming from many different economic branches and including both companies and individuals (Limassol Chamber of Commerce and Industry 2016b). The Chamber also cooperates with different entities such as the Enterprise Europe Network, the Cyprus Technology University, and chambers of commerce in several other countries (Limassol Chamber of Commerce and Industry 2016c). Among its members are many influential economic actors of Limassol such as beverage companies KEO and LOEL, auditing firm KPMG, or Columbia Shipmanagement Ltd. to name but a few to exemplify the important position of LCCI in the economic landscape of Limassol district (Limassol Chamber of Commerce and Industry 2016b).

- *Cyprus International Business Association:* The non-governmental independent Cyprus International Business Association was founded 1992 by expatriate executives who had transferred parts of their business operations to Cyprus due to advantages such as the attractive tax system or the island's strategic location (Cyprus International Business Association 2016).

Further sectoral entities making up the associational landscape of the regional economy of Limassol district are presented below in the sub-sections covering the regional economy's sectors (see section 3.3).

3.2 Urbanism

Currently, the urban landscape of Limassol is undergoing significant changes. Several large-scale, prestigious construction projects are being developed or have already been completed. The four most important ones shall be presented here to give an overview of the dynamism of urbanism in the city. The combined investment volume for these projects can roughly be estimated at several millions of euros. These four projects are listed below:

- *Limassol Marina:* Construction work started in April 2010. The new Limassol Marina can accommodate 630 yachts and also offers residential space with 274 upscale residential units of different size for rent or sale. Commercial venues at the waterfront have been redesigned, with new shops, bars and restaurants being opened. The scale of the project is evident from its estimated budget of EUR 380 million. The project is being realized by several companies including international construction services firm J&P and the Cypriot luxury property developer Cybarco (European International Contractors 2013).

- *ONE Limassol:* Probably Limassol's most visible construction project, ONE Limassol will be the tallest seafront residential tower in the Mediterranean once it has been completed, with a height of 170 meters and 37 floors offering upscale apartments and lifestyle amenities (Gold News 2015). Construction works started in early 2016 and completion is estimated for the end of 2018 (Nicolaou 2016). The project is carried out by Cypriot property developer Pafilia in cooperation with several internationally operating engineering firms (ONE Limassol 2016).

- *The Oval:* With a height of 75 meters and 16 floors, upon completion the Oval will be the tallest office building in Cyprus (Cybarco 2016a). Completion is scheduled for May 2017. The project is led by Cybarco in cooperation with architectural firm Atkins Ltd., among other firms (Cybarco 2016b). The budget is estimated at EUR 60 million (Gold News 2014).

- *Limassol Casino:* The development of a large-scale casino project is to be initiated in the near future. After a one-year bidding phase, the Melco-Hard Rock consortium emerged out of the final stage as the remaining bidder for the only casino license in the Republic of Cyprus.[6] The tandem of Melco International Development (Hongkong) and Hard Rock International (USA) chose Limassol as the location for an integrated casino resort including a luxury hotel and theme parks. The investment volume for the resort is estimated at approximately EUR 500 million, with the opening

[6] There are casinos in the Northern part of Cyprus which is not effectively controlled by the government of the Republic of Cyprus.

date scheduled for late 2019 or early 2020. Upon completion, the casino resort will be the largest one in Europe, according to a ministerial statement (Famagusta Gazette 2016). During the construction phase, about 4,000 additional jobs will be created – a number which may double with the completion of the casino resort. The casino resort in Limassol, along with its four smaller satellite gaming premises in other Cypriot cities, is expected to attract an additional 300,000 tourists to Cyprus every year (Hazou 2016).

Apart from the projects listed above, the government of the Republic of Cyprus also plays its part in reshaping the urban landscape of Limassol. A variety of infrastructural development projects have been introduced, focusing on the development of roads, schools, sewage treatment facilities, and sports facilities in the greater Limassol area with a total investment volume of close to EUR 125 million (Psyllides 2015). This investment volume is close to 0.6 percent of the country's annual GDP (The World Bank 2016), making it a remarkably large sum, although it has to be noted that the projects will be carried out over several years.

3.3 Sectoral composition of the regional economy

This section presents findings from a desk-research stocktaking exercise on major sectors shaping the regional economy of Limassol district, and lists some notable companies active in these key sectors. While the stocktaking is not comprehensive due to its methodological limitations and constraints, it is intended to give a preliminary overview of the structure of Limassol's regional economy and major trends currently shaping it.

3.3.1 Agriculture and agri-food value chains

In the agricultural and agri-food sectors, the Limassol region hosts several value chains or important parts of them. Limassol is the center of a traditional winegrowing area due to its climate and suitable soil. In 1987, the International Office of the Vine and Wine proposed Limassol as the "City of Vine and Wine" (Lemesos Municipality 2014d). Wine production in Cyprus is dominated by the following four producers, three of which are located in Limassol:

- *KEO Group*: This company is the leading wine producer and brewery in Cyprus. It was established in 1927. The company possesses wineries in Limassol and in three other regions and is a member of the Hellenic Mining Group, one of the largest industry groups on Cyprus. KEO's alcoholic and non-alcoholic products are supplied in over thirty countries worldwide. Besides distribution and trade, KEO focuses on the development and processing of quality grapes and wine (Keo Group 2016).

- *ETKO Ltd*.: As the oldest wine producer on Cyprus, ETKO maintains wineries in Limassol and Peloponisos and owns vineyards. The company produces wine and liqueur wine and sells on several international markets. The company is involved in the research and development of new wines and grape varieties (ETKO Ltd. n.d.).

- *LOEL Ltd.:* Founded 1943 as a joint-stock company held by vine growers, LOEL's products include wines, liqueur wines, spirits and juices, planted on vineyards in Limassol and Paphos. The company's main export destinations are countries in Eastern Europe and Asia. Since 2003, LOEL is part of the Laiko Group of companies which is headquartered in Nikosia (Laiko Group 2012).

- *SODAP:* One of the biggest wine producers in Cyprus, SODAP was founded in 1947 as a co-operative uniting 10,000 families of vine growers from 144 villages. The company owned two wineries (Limassol and Paphos) but gave up their Limassol site to concentrate on the Paphos winery (SODAP 2017).

Apart from wine production, Cyprus is also known for citrus fruits. Citrus fruits are important export goods for Cyprus, especially since a new irrigation system contributes to production increases (Triplemind GmbH 2017). In Limassol, enterprises involved in the production and processing of citrus fruits include the following ones:

- *Sedigep:* Established as a co-operative grower's union with currently approximately 550 members, Sedigep focuses on treating, packing and marketing agricultural products like mandoras, citrus, grapefruit, and oranges. Products are planted on fields in various regions of Cyprus. Roughly 30 percent of the total export volume in citrus fruits is traded by Sedigep. The company's trading network reaches more than 26 countries, particularly in Europe (Sedigep 2013).

- *S.D. Mavropoulos & Sons Ltd.:* Founded 1953, the company is a family business specialized in citrus and pomegranate production. The company's farm and packing facilities are located in Limassol from where products are exported to various countries (S.D. Mavropoulos & Sons Ltd. 2016).

- *Red Seal Brand (Phassouri Plantations Company Ltd.):* Founded originally under the name “Cyprus Palestine Plantations Ltd.” in 1933, the company came under Cypriot ownership in 1974. With a total area covering approximately 5,608 dunams of land, Red Seal Brand has one of the biggest plantations in Cyprus. The company cultivates all common citrus fruit varieties and exports to Europe and Russia (Red Seal Brand 2017).

- *Vassos Agricultural Produce Ltd.:* Starting with fruit sales in local supermarkets, the company developed into a fruit exporter to European and Asian markets. Besides trade with main citrus fruit varieties, the company processes fruit by producing fruit juice (Vassos Agricultural Produce Ltd. 2015).

Besides wine and citrus fruits, agriculture in the Limassol area focuses on further agricultural products. Vegetables such as potatoes are produced by Sedigep, and further enterprises in vegetable production include the following ones:

- *Amalthia Trading Ltd.:* This family business exists since 1940 and trades fruit, herbs, and vegetables. Headquartered in Nikosia, the company operates a packing station in Limassol and is represented in major locations of Cyprus (Amalthia Trading Ltd. 2009).

- *Kyriakides Mushroom Ltd.:* With a total growing area of 3,800 m^2, Kyriakides Mushrooms operates the biggest mushroom farm in Cyprus. The company supplies large supermarkets, wholesalers, hotels, and restaurants (Kyriakides Mushrooms Ltd. 2014).

- *Stavros Parpis Foodstuffs Ltd.:* This enterprise processes carob which is understood as a “superfood” because of being rich in calcium. A variety of carob end products are exported in different countries all over the world (Stavros Parpis Foodstuffs Ltd. 2016).

From this preliminary overview, it becomes evident that the strength of the country’s agricultural and agri-food value chains (see section 2.1) is well reflected in the Limassol regional economy which is a center of agricultural production and processing and particularly of winemaking and the beverage industry (spanning both the agricultural and manufacturing sectors).

3.3.2 Manufacturing

Apart from agri-food manufacturing industries in food processing, industrial wine production, and beverage production which were introduced as part of agricultural and agri-food value chains in the previous sub-section, the Limassol regional economy features some localized manufacturing industries which are presented in the following paragraphs.

Considering its size and role in the country's spatial structure, the city of Limassol is one of the main centers of industry and commerce in Cyprus. In the manufacturing sector, the textile industry, packaging and metal industries, and the pharmaceutical industry are the most important industries (InLimassol 2017). The latter benefits from the high percentage of scientists in Cyprus (Leptos Estates n.d. b). Pharmaceutical companies based in Limassol include the following ones:

- *Remedica:* The pharmaceuticals company is based in Limassol since 1960 and develops, manufactures, and distributes pharmaceutical products for therapeutic purposes. Products are sold in more than one hundred countries. Moreover, Remedica supplies several international organizations such as the WHO and UNICEF (Remedica Ltd. 2016).

- *Medochemie:* Based in Limassol, the company has expanded and now owns thirteen production facilities, with nine being located in Cyprus and the remaining ones in the Netherlands and Vietnam. The company focuses on products in ten therapeutic categories and developed more than 630 different pharmaceutical products. These products are sold in 107 countries worldwide (Medochemie n.d.).

- *AVVA Pharmaceuticals:* The company develops and produces pharmaceuticals and focuses on research on the human microbiome. The company has operations in Russia, Switzerland, Ukraine, and Uzbekistan (AVVA Pharmaceuticals Ltd. 2015).

- *Sapiens Pharmaceuticals Ltd.:* This young company specializes in product development, manufacturing, and distribution of pharmaceutical products such as food supplements, nutraceuticals, and medical devices (Sapiens Pharmaceuticals Ltd. 2013).

Another relevant manufacturing sector in Limassol, the packaging and metal industry, includes the following companies:

- *Lordos Plastics:* Lordos is the market leader in plastic products in Cyprus. The company's product range includes pipes, bottles, industry solutions, and packaging materials (Lordos Plastics Ltd. 2010).

- *P&S Carton Industries Ltd.:* This company specializes in carton packaging for food, textiles, and other products. The company was founded in 1990 (P&S Carton Industries Ltd. n.d.)

- *Ecopak Ltd.:* The company produces paper bags for the food sector. Products are sold in Cyprus and the United Kingdom (Ecopak Ltd. 2016).

- *Yiannakis Andreou Ltd.*: Having started as a scrap recycling firm, the company developed into a metal trade enterprise with a diversified product portfolio. More than 10,000 products are in stock in the company's warehouses in Limassol and Nicosia (Yiannakis Andreou Ltd. 2016).

- *Muskita Aluminium Industries:* The company produces aluminium products for architectural systems including construction, aviation, agriculture, automobiles, or transportation and for uses in other sectors (Muskita Aluminium Industries Ltd. 2016).

In addition to the two manufacturing industries presented above, it seems as if the textiles and garments industry continues to play a role in Limassol, although no precise data on its current relevance could be found. According to the list published by the Cyprus Employers and Industrialists Federation (OEB), several companies in the textiles and garments industry are located in Limassol (OEB n.d.), but it is not clear to which degree they are involved in manufacturing or whether they engage mainly in trading.

Summing up, the profile of the manufacturing sector in Limassol appears to reflect the general picture of the Cypriot economy. While the manufacturing sector in Cyprus is not large, there are some pockets of manufacturing in the country to which the Limassol regional economy contributes. This refers primarily to the pharmaceuticals industry and to processing stages in agricultural and agri-food value chains (see sub-section 3.3.1).

3.3.3 Services

A large number of national and international companies are based in Limassol, making the city a major business and financial center of Cyprus. Besides financial services, shipping services and the ICT industry are of great importance to Limassol. Limassol is considered a major center for ship-management services in the EU and hosts one of the most important commercial ports in the Mediterranean (Lemesos Municipality 2014c).

Notable logistics and maritime service companies include the following ones:

- *Bernhard Schulte Shipmanagement Ltd.:* Due to the strategic geographical location of the city, the German company expanded to Limassol in 1972 and was the first ship management service provider on the island. As part of the Schulte Group, the company owns approximately 600 ships and established five training centres for ship management worldwide (Bernhard Schulte Shipmanagement 2016).

- *Interorient:* The company offers ship management as well as shipbuilding services from design to delivery (Interorient Shipmanagement 2015).

- *Oceanic Logistics Ltd.:* Founded in the early 1980s, the company offers services such as global logistics, insurance of goods, or customs clearance procedures (Oceanic Logistics 2012).

- *G.S. Marine Services Ltd.:* The company is active worldwide in the shipping industry, offshore industry, and oil and gas industry (G.S. Marine Services Ltd. 2008).

- *Chrysanthou Maritime Services Ltd.*: This enterprise offers a range of services in the shipping sector such as services and inspections, safety management, quality assurance, management consultancy and others (Chrysanthou Maritime 2010).

- *Cyprus Global Logistics:* In addition to ship transports, the company organizes airfreight transports, customs clearance, warehousing, and other services. It is headquartered in Limassol (Cyprus Global Logistics 2013).

- *Columbia Shipmanagement Ltd.*: A subsidiary of Schoeller Holdings Ltd., Columbia Shipmanagement Ltd. was founded in 1978 in Limassol as a ship management company. It has expanded to other countries and has developed into one of the largest shipmanagement providers (Columbia Shipmanagement Ltd. 2017).

While a number associations and chamber in Cyprus are headquartered in Nicosia, the shipping industry is primarily represented in Limassol, as is underscored by the presence of the following agents in Limassol:

- *Cyprus Shipping Chamber:* Founded 1982, the Chamber now represents all major shipping companies in Cyprus and consults the government on policy decisions regarding the shipping industry. The chamber represents the interests of Cypriot shipping industry and is advocating funding for the shipping infrastructure (Cyprus Shipping Chamber n.d.).

- *Cyprus Shipping Association (CSA):* The CSA is an association representing the shipping industry. Among its members are leading and longtime shipping companies of the country. Headquartered in Limassol, CSA's mission includes negotiation with the government, authorities, and trade unions. The aims of the association are related to ensuring its members' interests and to promoting the maritime sector (Cyprus Shipping Association 2017).

Despite the financial and economic crisis, Cyprus including notably Limassol remains an important location for financial services. The following non-exhaustive list of financial companies in Limassol gives an indication of the importance of the financial services industry in the city:

- *Windsor Brokers Ltd.:* As the first Cypriot investment firm in its field, Windsor Brokers offers trading of financial products such as options, mutual funds, bonds, and foreign exchange. The company serves clients from more than 80 countries (Windsor Brokers 2016).

- *FX Central Clearing Ltd.:* Founded by a group of foreign exchange professionals, FXCC's headquarter is located in Limassol. Customers include, *inter alia,* private and institutional clients, manager, traders, and banks (FXCC 2016).

- *DeltaQuest Finance:* As part of the DeltaQuest Group, the company offers support for international financial institutions in opening or maintaining a business. Customers range from smaller to leading companies (DeltaQuest Group 2016).

The real estate sector is of significant importance for Limassol, too, and includes, among others, the following enterprises:

- *Leptos Estates:* Headquartered in Paphos, the company has numerous other offices in Cyprus such as Limassol, and worldwide. Leptos Estates is one of the leading construction and real estate companies. The company is involved in the construction of the Limassol Del Mar waterfront development project (Leptos Estates n.d. a).

- *Kazo Real Estate Ltd.:* Based in Limassol, the company is involved in real-estate sales, rentals, and property management (Kazo Real Estate Ltd. n.d.).

- *Galaxia Estates Agencies Ltd.*: This family business develops real estate of all kinds in Cyprus. Based in Limassol, the company was established in 1977 (Galaxia Estates Agencies Ltd. 2016).

- *Elias Athanasiou LemesosEstates Ltd.:* The company specializes in the real estate market in Limassol and offers its customers real-estate agency services in this area (Elias Athanasiou LemesosEstates Ltd. 2017).

In the ICT sector, Limassol hosts a number of companies including, *inter alia,* the following ones:

- *Xenatus Global:* As a multinational company, Xenatus Global provides technological solutions. The company is a certified partner for Microsoft Dynamics and for solutions of other international companies (Xenatus Global 2017).

- *Twincore Information Technologies Ltd.:* The company provides services in the configuration of computers and networks, and provides hardware and software support (Twincore Information Technologies 2009).

- *Computerland Ltd.:* Founded as an information technology store, Computerland today is among the largest ICT service providers in Cyprus. As a partner of international ICT companies such as Microsoft, Intel, HP, Cisco, Dell, and other, the company provides technological support to its clients (Computerland 2016).

- *Proadco Ltd.*: This enterprise develops specific software for its clients and provides cloud and online services. It serves clients all over the world (Proadco Ltd. 2016).

Mirroring the high importance of the service sector in the national economy of Cyprus (see section 2.1), the Limassol regional economy exhibits a dominant service sector with several strong service industries. The sector includes notably tourism (to be discussed separately in the next sub-section), logistics and ship management, financial services, real estate, and ICT. It is evident that the strategic location of Cyprus in the Eastern Mediterranean and as an EU member state, as well as the role of Limassol as a major port city, are attracting investment in service industries.

The shipping industry is particularly important for Limassol. As a gateway to three continents, Limassol has the opportunity to function as a hub for trade and passenger traffic in the Eastern Mediterranean. For this reason, a number of ship management companies have been established or located there. Some of them have grown to multinational companies and are represented all over the world. Today, Limassol can be regarded as a maritime cluster that employs more than 5,000 people (Frederick University 2015b).

It is particularly in Limassol's services sector that the alignment between the S3CY strategy (see sub-section 2.3.2) and the regional economic structure of the Limassol district becomes evident. The strategy's priority sectors of construction, transportation (including shipping), and ICT (as well as the agricultural sector and agri-food industry, the health including the pharmaceuticals industry, and tourism including digital applications) are well in line with Limassol's regional economic structure and the resulting opportunities.

3.3.4 Tourism

Although tourism is part of the large services sector, it is treated separately in this sub-section due to its overwhelming importance to the national economy of Cyprus in general and to the Limassol regional economy in particular.

Like elsewhere in Cyprus, tourism plays a central role for the economy of Limassol. In 2014, 13 percent of tourists visiting Cyprus spent their vacation in Limassol. Only Ayia Napa (16.6 percent) and Paphos and Polis (38.3 percent) were visited by more tourists (Republic of Cyprus Statistical Service 2016c: 14).

Limassol has a well-developed hotel infrastructure including an extensive tourism zone with large-scale hotels just east of the city. The Limassol region features 74 accommodation units (including 34 hotels) with 13,032 beds. This is the third-largest accommodation capacity among the regions of Cyprus after Famagusta (including notably Ayia Napa) with 35,053 beds in 243 units and Paphos with 27,858 beds in 272 units (Ernst and Young 2014: 6).

Apart from the generic agents supporting regional development in the city and district of Limassol (see section 3.1), tourism development is taken care of by a specialized entity:

- *Limassol Tourism Development and Promotion Company:* The Limassol Tourism Development and Promotion Company specializes in developing and improving the tourism infrastructure in Limassol district. A substantial part of the Limassol Tourism Development and Promotion Company's work is outward-oriented and consists of providing tourists with information on sights in and around Limassol, current events, accommodation and transport (Limassol Tourism Development and Promotion Company 2016).[7]

When it comes to attractions and assets, it is important to note that tourism in Cyprus in general – and in Limassol in particular – is characterized by a strong seasonality. While the peak month of July witnesses the arrival of almost 400,000 tourists in Cyprus, off-season January attracts only roughly 40,000 visitors (Republic of Cyprus Statistical Service 2016c: 47). This strong seasonality has been recognized as a problem: Combating seasonality is one of the main goals of Cypriot tourism decision makers (European Commission 2014: 8). To a

[7] Tourism marketing for Cyprus is being carried out on the national level by the Cyprus Tourism Organisation (CTO). It may be interesting to note that while Limassol Tourism's web site appears very professional and includes social-media activities on Facebook, Google Plus, Twitter, and YouTube, no alignment with the CTO's marketing activities (including CTO's web site and social-media activities) is apparent (Cyprus Tourism Organisation 2017).

certain extent, this seasonality is inherent to the nature of the main tourist attractions Limassol offers. A number of them can be grouped under the category of sun/sand/sea tourism – assets that are suitable for a summer holiday while losing appeal during cooler winter months. Regarding Limassol, the main sun/sand/sea assets are Kourion Beach, Fasouri Water Park, and the Limassol Marina. The Limassol Marina has been described above (section 3.2) and its seasonal character becomes obvious since yacht tourism is basically a summer activity.

However, Limassol also offers visitors a large variety of attractions for other activities than sun/sand/sea tourism including the following ones:

- *Kourion, Amathous, Limassol castle, and Kolossi castle:* The region's historical monuments can be comfortably visited all year round and some visitors might even appreciate visiting them off-season when they are less crowded. The two main historical sights of the Limassol region are the ancient cities of Kourion and Amathous. At a distance of roughly 10 km from Limassol, they can be quickly reached from the city. Besides Kourion and Amathous, the castles of Limassol and Kolossi represent slightly newer, but still historically valuable monuments (Tripadvisor 2017).

- *Limassol Wine Festival:* The festival usually takes place in late August and early September, on the fringe of the peak season. Since 1961, it has been organized twenty-four times, bringing Cypriots and foreign tourists interested in wine together. Companies from the wine industry like KEO and LOEL participate in the festival's organization, implying cooperation between touristic and industrial actors. Approximately 15,000 visitors attend the festival every evening over the course of ten days in which it takes place (Lemesos Municipality 2014a; 2014b).

- *Cyprus Wine Museum:* This museum is another notable attraction and well consistent with the Limassol Wine Festival and the strength of the winemaking industry in the Limassol region (Cyprus Wine Museum n.d.).

- *Limassol Carnival:* Another popular cultural event is the Limassol Carnival which takes place for about ten days in late February/early March, making it an important magnet for off-season tourism. The main ceremony alone attracts over 50,000 visitors, many of them tourists. The Limassol Carnival enjoys huge popularity abroad, having been referred to as “the best carnival outside Rio” (Serad 2014).

- *Limassol Marathon:* The carnival is not the only event with the potential to reduce the gap between peak season and off-season tourist numbers. A more recent addition to the event landscape, the Limassol Marathon first took place in 2006. For its 10th anniversary in 2016, 13,000 runners participated with about 15 percent of them coming from other countries. It is regarded as the biggest sports event in Cyprus and supported by a large number of companies, both domestic such as KEO or Bank of Cyprus and foreign such as McDonalds or KIA (Limassol Marathon 2016a; 2016b; 2016c).

- The meetings, incentives, conferences, and exhibitions (MICE) tourism sub-sector is well represented in Limassol. The annual Limassol Economic Forum takes place in late October and has been called “the biggest conference on European and Global Economics held in the Eastern Mediterranean region” (IMH 2016a). Internationally well-known keynote speakers are invited to the forum which is targeting executives, managing directors, and other high-level economic and political actors. Various sponsors, both domestic (for example the Cyprus Chamber of Commerce and Industry) and international (such as Deloitte) are supporting the conference, making the off-season in autumn appealing for MICE visitors to Limassol (IMH 2016a; 2016b; 2016c).

In conclusion, Limassol offers a wide array of tourist attractions with strong appeal to domestic and international visitors. This is further exemplified by the fact that the city was awarded the third place of the Top 10 “Travelers’ Choice Destinations on the Rise” worldwide by the travel web site Tripadvisor in December 2014 (Hetter 2014). Given the developments since then, it is valid to assume that Limassol is continuing to be “on the rise”, possibly even more so than before.

Given its appeal for international tourism, it is remarkable that Limassol has no airport. While this may seem surprising at first sight, it does not mean that the city is difficult to reach. Travelling from Limassol to either of the country’s two international airports, Larnaca (LCA) and Paphos (PFO), takes about an hour, with plenty of bus shuttles operating the routes (Paphos Buses 2016a; 2016b). Yet, it has to be noted that the cities of Larnaca and Paphos offer an array of tourist attractions themselves without additional travel time by bus. Thus, the slightly longer transfer from either airport to Limassol might constitute a disincentive for short-time visitors to Cyprus, although the relevance of this hypothesis could not be confirmed so far.

Despite the overall growth of tourism in Cyprus, Limassol as a tourist destination is confronted with competition from other locations in Cyprus such as Paphos, Larnaca, and Ayia Napa but also Nicosia. Arguably the most important city to take into account for the moment is Paphos. Located about 70 km west of Limassol, Paphos features appealing historical monuments such as the Kato Paphos Archaeological Park. The park was listed as an UNESCO World Heritage Site in 1980 and is located within the city boundaries, offering well-preserved remnants of ancient buildings and compounds (UNESCO 2016).

The cultural appeal of Paphos does not go unnoticed: The city has been named European Capital of Culture 2017 along with Aarhus, Denmark (European Commission 2016). Limassol, too, applied as a candidate city but was not awarded the title (Lemesos Municipality 2016c). The artistic programme of Paphos will consist of 140 projects. The local and national community will be involved as well (European Capital of Culture Panel 2016: 3). There is no denying that Paphos will find itself in the European cultural spotlight in 2017 and possibly even longer. For Limassol, it will be an important question of how to keep its cultural appeal vis-à-vis Paphos.[8]

The planned casino resort in Limassol, along with its four smaller satellite gaming premises in other Cypriot cities, is expected to attract an additional 300,000 tourists to Cyprus every year (Hazou 2016). This number would amount to an increase of almost 10 percent in comparison to the 2016 number of tourist arrivals (see section 2.1). It is likely that most of these visitors will choose Limassol as their place of stay due to the main resort's location. This would mean a boom in tourism in the city. As of 2013, about 13 percent of the (then) 2.5 million annual visitors to Cyprus decided to spend their vacation in Limassol, equalling about 325,000 people (Ernst & Young 2014: 7). On the assumption that 250,000 of the additional 300,000 tourists decided to stay in Limassol due to the resort's location, this would mean an annual increase in tourists of almost 77 percent.[9] While it is too early to predict the precise economic

[8] In the event of political reunification, Nicosia can be expected to move even more into the international cultural spotlight, confronting Limassol with even more intense competition for international cultural attention.
[9] This rough calculation does not take into account the share of Limassol in the significant increase in overall tourist arrivals to Cyprus after 2013. The eventual increase of tourism in Limassol directly attributable to the future casino is thus likely to be smaller in relative terms.

impact of the planned casino resort, upon its realization the project can be expected to further strengthen Limassol's appeal as a tourism destination.

3.4 Knowledge and education landscape

This section presents a brief overview of the knowledge and education infrastructure in the Limassol region, allowing for insights into the assets of Limassol's regional economy and their ability to facilitate Limassol's future economic development along the pathway sketched by the S3CY strategy which aims towards achieving a more knowledge- and innovation-based model of economic growth for Cyprus.

The Cypriot educational system was restructured in the 1960s and 1970s. This restructuring covered higher education, too. Before the 1980s there were only a few colleges and universities of applied sciences. In 1989, the University of Cyprus was established. Today there are three public universities and five private universities (Artzfeld and Chaudhuri 2000; Auswärtiges Amt 2017a).

Limassol today hosts two universities, the public Cyprus Technical University and the private Frederick University (Cyprus University of Technology 2016; Frederick University 2015a), while other higher educational institutions are present and will be introduced later in this section. Furthermore, the city is planning to establish a Scientific Technology Park in Pentakomo. This Technology Park will be the first in Limassol and aims to attract multinational enterprises and research entities. With this initiative, Limassol tries to push its regional development as well as innovation, research, technology transfer, and clustering in line with the priorities set by national economic policy and notably in the NRP and S3CY strategy (24 Cyprus 2016; Limassol Chamber of Commerce and Industry 2015).

In general, Limassol's higher educational entities attempt to attract international students. Notably private educational entities such as Frederick University and the Cyprus Institute of Marketing promote their courses of study to an international audience. For example, the Cyprus Institute of Marketing, a business school, offers distance-learning courses in English (Frederick University 2015a; Cyprus Institute of Marketing n.d.). This orientation towards international students seems well in line with the strategic location of Cyprus in the Eastern Mediterranean.

3.4.1 Public and private universities

This sub-section briefly introduces the two universities present in Limassol and gives an overview of their faculties and study programs, suggesting fields of knowledge in which Limassol's regional economy hosts assets and capabilities:

- *Cyprus University of Technology:* The Cyprus University of Technology is a public university in Limassol. Founded in 2003, it started teaching in 2007. The university is the first university of technology on the island (Cyprus University of Technology 2016).

  The university offers several programmes of study in five faculties (Table 3):

  Table 3: Faculties and programs of study of the Cyprus University of Technology

Faculty	**Programs of study**
Faculty of Geotechnical Sciences and Environmental Management	Agricultural Sciences, Biotechnical and Food Sciences, Environmental Management
Faculty of Management and Economics	Hotel and Tourism Management, Commerce, Finance, Shipping
Faculty of Health Science	Nursing
Faculty of Applied Arts and Communication	Communication and Internet Studies, Multimedia and Graphic Arts
Faculty of Engineering and Technology	Electrical Engineering and Information Technology, Mechanical Engineering and Material Science and Engineering, Civil Engineering and Geomatics

  Source: Own work with information from Cyprus University of Technology (2016).

  The university's technological focus becomes apparent from the programs of study listed in Table 3. Furthermore, the university offers study programs for key service sectors in the regional economy by teaching hotel and tourism management, commerce, finance, and shipping.

  With its strategic plan from 2010 to 2020, the university plans to become a leading university on the international level. Apart from its focus on education and research, the university aims to unfold impact on the regional economy. Thus, one of the university's main goals is the creation of partnerships with local industry to facilitate technology transfer. Another target of the strategic plan is the creation of a Technological Park. With its participation in the establishment of such a park, the university wants to improve the RTDI landscape of Cyprus. Besides the envisaged Technological Park, the university plans to create a Scientific Park meant to work hand in hand with the Technological Park. With those two parks the university tries to create a space to consolidate the regional innovation potential and to strengthen technological development, knowledge transfer, and partnerships. Another strategic objective of the university is its involvement in regional development, for instance through cooperation with the city and other agents to build networks (Cyprus University of Technology 2010; 2016).

- *Frederick University:* This private university was established in 2007 and has its main campus in Nicosia and another one in Limassol (Frederick University 2015a). Students have the chance to study a wide range of programs in six faculties (Table 4).

Table 4: Faculties and programs of study at Frederick University

Faculty	**Programs of study**
School of Architecture (Fine and Applied Arts)	Architect Engineering, Architecture, Graphic and Advertising Design, Interior Design, Audio-Visual Communication, Fashion Design and Image
School of Education	Pre-primary Education, Primary Education
School of Engineering and Applied Science	Automotive Engineering, Civil Engineering, Computer Engineering, Computer Science, Electrical Engineering, Mechanical Engineering, Quantity Surveying
School of Economic Science and Administration	Accounting and Finance, Business Administration, Maritime Studies, Marketing with Digital Technologies
School of Health Science	Pharmacy, General Nursing
School of Humanities and Social Science	Journalism, Social Work, Law, Psychology

Source: Own work with information from Frederick University (2015a).

The university offers the possibility of distance learning. Another focus of the university is on basic and applied research. Frederick University attempts to cooperate with SMEs as well as with governmental and non-governmental organizations (Frederick University 2015a).

Taken together, the two universities located in Limassol offer a diversified range of study programs and research, suggesting a broad base of available knowledge in the region that could serve as a base for the regional economy's future move towards a more knowledge- and innovation based growth model in line with the orientation of the S3CY strategy.

3.4.2 Other educational entities

Apart from universities, a number of other (higher) educational entities such as colleges and business schools are located in Limassol, such as the following ones:

- *Intercollege:* The University of Nicosia was established as a private college established in 1980 and recognized as a university 2007. Its college is now called Intercollege and located in Nicosia, Limassol and Larnaca. Intercollege offers study programs in hotel management, accounting and finance, business administration, communication, and office administration (Intercollege n.d.; University of Nicosia n.d.).

- *Cyprus Institute of Marketing:* The Cyprus Institute of Marketing is the oldest business school in Cyprus and functions since 1978 as a private institute of higher education in Nicosia. Since 1984, the Cyprus Institute of Marketing has been present in Limassol. The language of instruction is English, underscoring the school's international orientation. Study programs include marketing, financial and computer studies, European studies, business studies with marketing, business administration, shipping, tourism management, banking, and insurance. The school offers distance learning and executive trainings for businesspeople with an international orientation (Cyprus Institute of Marketing n. d.).

- *C.D.A. College:* The C.D.A. College is located in several cities of Cyprus including Limassol and was founded in 1976. The college offers a wide range of study programs in its six faculties for business and criminology, office administration and ICT, travel and tourism, fashion and design, aesthetics (including beauty care and health promotion), and hairdressing (C.D.A. College n. d.).

- *Cyprus International Institute of Management:* With its locations in Nicosia and Limassol, the Cyprus International Institute of Management is a business school founded in 1990. The school has created a center for innovation and entrepreneurship called ENTICE to support the innovative know-how of students. The center assists students in the creation of start-ups. The business school has research programs in financing, management and innovation. The school offers study programs in business administration, public sector management, human resource management and organizational behavior, management, and financial services with English as the teaching language (Cyprus International Institute of Management 2015).

It is worth noting that most of these schools' programs are well aligned with the profile of Limassol's regional economy. Notably, they include educational or training programs on shipping, tourism, and finance.

4 Recommendations

From the preliminary stocktaking undertaken in chapter 3, the dynamism of Limassol's regional economy becomes apparent. While Limassol appears well on track for future economic growth, the region will have to position itself in the context of the new economic growth model Cyprus is currently attempting to build, as is evident from the NRP and the S3CY strategy. Based on the stocktaking performed in chapter 3, some preliminary ideas on possible pathways for further strengthening Limassol's regional economy in line with the priorities set forth by the NRP and S3CY strategy include the following ones:

- Within the context of the general orientation of the S3CY strategy of facilitating the Cypriot economy's transition towards a more knowledge- and innovation-driven model, Limassol may strive to become a knowledge hub in the Eastern Mediterranean. While the city seems well placed to do so in the field of education, with its universities and other higher education entities oriented in part towards international students and, in some cases, to English-language teaching, there appears to be potential for strengthening Limassol's possible role as a research and innovation hub. Positioning itself as a bridging hub between the RTDI landscape of other EU member states and associated countries in the EU's South-Eastern neighborhood could provide an opening for Limassol's RTDI agents to tap into knowledge flows and to contribute their research and innovation capabilities. For example, Israel participates in the EU's research and innovation framework program "Horizon 2020", with 310 R&D agreements signed and a funding volume of almost EUR 204 million (European Commission 2017). Participating in collaborative R&D projects between EU members states and Israel would provide an opportunity for Limassol's RTDI agents to place itself within knowledge flows and innovation processes between the EU and its neighborhood in the Eastern Mediterranean.

- There is apparent interest in the idea of setting up a science and technology park, both on the national level and in Limassol. While such a park could play a role in positioning Limassol as a hub for RTDI cooperation between the EU and its Eastern Mediterranean neighborhood, empirical evidence on science and technology parks internationally demonstrates that the setup of such a park alone does not guarantee that synergies or interactions between academia and the regional entrepreneurial ecosystem do materialize (Castells and Hall 1994; Felsenstein 1994; Rodríguez-Pose and Hardy 2014). In general, it appears plausible that location of a park in a dynamic urban environment with strong universities and/or multinational companies as anchor tenants tends to increase the likelihood of a park's long-term success and sustainability (Rodríguez-Pose and Hardy 2014). If this observation holds true, Limassol would offer suitable conditions for setting up a science and technology park. How to ensure the park's embeddedness into the region's entrepreneurial and innovative ecosystem, however, is a question that should be seriously addressed. In line with the S3CY strategy's focus on strengthening the knowledge and innovation intensity of the Cypriot economy, the setup of such a park might be combined with a program of upgrading SMEs in the Limassol region designed to increase the innovative and absorptive capacity of enterprises. Again, tapping into knowledge flows and innovation processes between the EU and its Eastern Mediterranean neighborhood could offer added value both for Limassol's RTDI landscape and for enterprises. A science and technology park could position itself as the backbone of such a knowledge hub approach, for example by providing project management services and assisting universities and enterprises in participating in collaborative R&D projects such as projects funded under the "Horizon 2020" framework program.

- Given Limassol's strong agriculture and agri-food value chains, it appears sensible to explore the opportunity to upgrade the sector with a cluster initiative (Benner 2012), especially if local RTDI and educational resources are taken into consideration through the involvement of universities and other higher education entities present in Limassol. Localized value chains in wine production and citrus fruit growing and processing arguably represent a cluster and might, depending on an in-depth needs analysis, benefit from a cluster initiative to upgrade and network enterprises in the agri-food sector or, more specifically, in wine production and related lifestyle products. Such a cluster initiative could be pursued under the framework of the national-level competitive cluster promotion scheme planned under the NRP (see sub-section 2.3.1) and focus on accessing new markets, joint international marketing, product development, and upgrading the sector's innovative capacity. Developing new initiatives to benefit from Limassol's touristic assets could be pursued under such a framework, including actions in the fields of wine tourism or agri-tourism.

Alternatively, initiatives such as a tourism cluster initiative (Benner 2013) could be considered specifically for the tourism industry.

- Limassol's tourism sector will arguably strongly evolve in the coming years under the impact of ongoing and planned projects and investments involving, for example, the planned casino resort. On a more general level, however, Limassol will have to make an effort to maintain and improve its visibility as a culturally attractive city, considering the attention Paphos is likely to enjoy as European Capital of Culture. With its festivals, Limassol features some highly visible cultural events but it might be worth considering additional culturally-oriented initiatives and actions. While smaller-scale cultural initiatives (for example, film or theater festivals) can be initiated in the short run, an architectural landmark for cultural purposes such as a concert hall, an art gallery or a museum could be an idea to be discussed and weighed in the long run.[10]

- In tourism, Limassol will have to promote niches that are less sensitive to seasonality. One avenue to pursue could be health-related tourism. As the analysis of Limassol's knowledge and education infrastructure (section 3.4) has illustrated, educational programs for the health sector exist, suggesting at least a certain degree of availability of qualified health staff. Benefitting from the strategic location of Cyprus in the Eastern Mediterranean, health tourism in Limassol could prove attractive not just for European tourists but also from those from Middle Eastern countries.

- In another vein, Limassol as one of the Eastern Mediterranean's major port cities is well placed for taking a share in the cruise market. Promoting Limassol as port of departure for cruises in the Eastern Mediterranean and benefitting from tourists staying some days there after the end of the cruise could provide another opportunity for future growth of Limassol's tourism industry, especially if done in combination with Limassol's particular touristic assets and emerging niches of speciality cruises such as wine cruises.

- At first sight, Limassol's connectivity to Larnaca and Paphos Airports appears somewhat like a problem, although the authors cannot assess the extent of the problem. In case its lack of air connectivity proves to be an impediment to Limassol's

[10] The international attention Hamburg is currently enjoying after the opening its new "Elbphilharmonie" concert hall demonstrates that cultural landmarks can improve a city's international visibility, although costs and benefits have to be weighed and the sustainability of such an approach has to be ensured.

future economic development, establishing a train connection to Larnaca (and/or Paphos) Airport could be an idea worth pursuing. It is likely that the current travel time of roughly one hour (by bus shuttle) can be cut short by taking the train, making it even easier and more likely for tourists to stay in Limassol. Another beneficial dimension of this project is it might be carried out simultaneously with a nation-wide re-development of railway service (Canters 2014). For Limassol, plans for a casino resort and a projected annual increase in visitors by up to 300,000 would mean that investments in the transport system will likely be necessary in any case. A train connection between Larnaca Airport, the island's primary international airport, and Limassol could serve as a platform to market Limassol as a tourist destination (for example, by designating the rail service as "Limassol Express" and by designing rolling stock with motives evocative of Limassol's touristic assets and sights, or eventually offering specific casino-themed luxury cabins). Last but not least, such a project's beneficial environmental record would fit well into the NRP's priorities.

While these are only preliminary ideas that would need further, in-depth exploration and examination, the list above illustrates that there are some points of departure for aligning Limassol's regional development even more closely with national economic reform priorities and objectives which should be taken into account if and when a comprehensive regional development strategy for Limassol district were to be developed.

5 Conclusions

The present study has given an overview over the national economic policy and reform context, the regional economic structure of Limassol district, and preliminary ideas on how to promote regional economic development in line with overarching national and supra-national policy priorities.

Considering the limitations and constraints of the study's desk research-based methodology, further research may lead to further contributions on how to promote Limassol's regional economy and on how to align regional economic development with national policy priorities in a context of ongoing and profound structural economic reform as is the case in Cyprus.

While the present study could only perform a desk research-based stocktaking of Limassol's regional economy and could only come up with some preliminary ideas and suggestions to be explored further in detail, in-depth qualitative and quantitative research to understand the structure of the regional economy more in detail is highly recommended. In particular, such an in-depth analysis should cover the institutional context of Limassol's regional economy to allow for an institutionally-sensitive process of elaborating a detailed regional economic development strategy in line with regionalized institutions. Such an institutionally-sensitive approach has the capacity to ensure consistency between regional-development initiatives to be formulated and implemented on the one side and long-standing expectations and interaction patterns between agents in the regional economy which are deeply rooted in a region's institutional context on the other side (Glückler and Lenz 2016: 270).

Apart from further research, future developments may add new aspects to the context for regional development in Limassol and to economic policy in Cyprus as such. For example, if and when the United Kingdom leaves the EU, the Cypriot economy including the Limassol regional economy will be confronted with both challenges and opportunities arising from the resulting fundamental change in relations between EU member states and the United Kingdom. Challenges may be related, for instance, to the attractiveness of Cyprus for British tourists, as well as to trade between Cyprus and the United Kingdom. Opportunities might possibly arise, for example, from investments by enterprises headquartered in the United Kingdom in need of a base in an English-speaking country within the EU. While these challenges and opportunities are still to take shape (depending, *inter alia,* on the precise configuration of the future relationship between the EU and the United Kingdom), economic development in Cyprus and its regions is likely to be affected to some degree.

A possible political settlement leading to a new, federal structure of the country would mean another fundamental change of conditions for economic development of the country and the Limassol region. If and when such a reconfiguration of the political landscape of Cyprus occurs, new possibilities for market access of Limassol-based enterprises (notably to Turkey) will ensure, but so will challenges for economic policy in general.[11] Again, the consequences of such a settlement will not take a clearer shape until if and when a breakthrough in political negotiations between the parties involved occurs.

In any case, however, the present study has shed some light on promising fields of action in which Limassol's regional economy might benefit from opportunities emerging in the present national policy context of structural economic reform. If the current structural reform effort on the national level succeeds and if regions such as the Limassol district manage to seize opportunities for regional development in this context, other countries and regions in countries undergoing a comparable process of structural reform might benefit from insights to be learned from the case of Cyprus and Limassol.

[11] Likely challenges for national economic policy may include, for example, the need to upgrade the competitiveness of SMEs located in the Northern part of the country, and the need for alignment with the EU's *acquis communautaire*.

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