



European  
Commission

SOCIAL ENTERPRISES  
AND THEIR ECOSYSTEMS  
IN EUROPE

Country report  
**CYPRUS**  
George Isaias

This report is part of the study “Social enterprises and their ecosystems in Europe” and it provides an overview of the social enterprise landscape in Cyprus based on available information as of October 2019. It describes the roots and drivers of social enterprises in the country as well as their conceptual, fiscal and legal framework. It includes an estimate of the number of organisations and outlines the ecosystem as well as some perspectives for the future of social enterprises in the country.

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# SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE

Country report  
**CYPRUS**

George Isaaias

This report provides an overview of the social enterprise landscape in Cyprus based on information available as of October 2019. The report updates the previous version submitted by ICF Consulting Services to the European Commission in 2014. The current report has been prepared as part of a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises ([Euricse](#)) and the EMES International Research Network ([EMES](#)). George Isaias from the Synthesis Center for Research and Education was responsible for updating the report.

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Countries included in the three social enterprise mappings by the European Commission

No	Country	TYPE	2014	2016	2018-19
1	Albania	Fiche	-	-	✓
2	Austria	Report	✓	-	✓
3	Belgium	Report	✓	✓	✓
4	Bulgaria	Report	✓	-	✓
5	Croatia	Report	✓	-	✓
6	Cyprus	Report	✓	-	✓
7	Czech Republic	Report	✓	-	✓
8	Denmark	Report	✓	-	✓
9	Estonia	Report	✓	-	✓
10	Finland	Report	✓	-	✓
11	France	Report	✓	✓	✓
12	Germany	Report	✓	-	✓
13	Greece	Report	✓	-	✓
14	Hungary	Report	✓	-	✓
15	Iceland	Fiche	-	-	✓
16	Ireland	Report	✓	✓	✓
17	Italy	Report	✓	✓	✓
18	Latvia	Report	✓	-	✓
19	Lithuania	Report	✓	-	✓
20	Luxembourg	Report	✓	-	✓
21	Malta	Report	✓	-	✓
22	Montenegro	Fiche	-	-	✓
23	The Netherlands	Report	✓	-	✓
24	North Macedonia	Fiche	-	-	✓
25	Norway	Fiche	-	-	✓
26	Poland	Report	✓	✓	✓
27	Portugal	Report	✓	-	✓
28	Romania	Report	✓	-	✓
29	Serbia	Fiche	-	-	✓
30	Slovakia	Report	✓	✓	✓
31	Slovenia	Report	✓	-	✓
32	Spain	Report	✓	✓	✓
33	Sweden	Report	✓	-	✓
34	Switzerland	Report	✓	-	-
35	Turkey	Fiche	-	-	✓
36	United Kingdom	Report	✓	-	✓

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## List of acronyms

- > **C4E** Centre for Entrepreneurship
- > **CARDET** Center for the Advancement of Research & Development in Educational Technology
- > **CCB** Cooperative Central Bank
- > **CCCI** Cyprus Chamber of Commerce and Industry
- > **CEDAR** The Centre for Entrepreneurial Development, Alliance and Research
- > **CIIM** Cyprus International Institute of Management
- > **CSI** Center for Social Innovation
- > **CSR** Corporate Social Responsibility
- > **CYPEF** Cyprus Entrepreneurship Fund
- > **EBRD** European Bank for Reconstruction and Development
- > **EC** European Commission
- > **EIB** European Investment Bank
- > **ERDF** European Regional Development Fund
- > **ESF** European Social Fund
- > **ESIF** European Structural and Investment Funds
- > **EU** European Union
- > **EUC-PEAK** The European University Cyprus Performance Enterprise Accelerator and Knowledge Innovation Center
- > **FWC** Future Worlds Center
- > **GP** General Purpose
- > **ICLAIM** The Interdisciplinary Centre for Law, Alternative and Innovative Methods
- > **INNOVENTER** Innovative Vocational Social Entrepreneurial Training
- > **MECIT** Ministry of Energy, Commerce, Industry and Tourism
- > **MLWS** Ministry of Labour, Welfare and Social Insurance
- > **NAP** National Action Plan
- > **NGO** Non-Governmental Organisation
- > **NPO** Non-Profit Organisation

- > **PVCC** Pancyprian Volunteerism Coordinative Council
- > **RPF** Research Promotion Foundation, Republic of Cyprus
- > **SBI** Social Business Initiative
- > **SE** Social Enterprise
- > **SI** Social Inclusion/Integration
- > **SMEs** Small and Medium-sized Enterprises
- > **SNP** Statement on National Policy for the Development of the Business Ecosystem in Cyprus
- > **UAR** Unit of Administrative Reform

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## Executive summary

### Background

Cyprus has a long history and tradition of socially oriented activity performed by associations, foundations and volunteer groups. Notions of altruism, expressions of kindness and the impulse to “help one another” are customary characteristics of the Cypriot people that are still evident today. The sense of solidarity that drives social enterprise can be found within Cyprus’ cooperative sector, which began almost 80 years ago and continues to this day. However, “social enterprise” itself is a recent phenomenon on the island and the sector is still underdeveloped. The term was introduced in 2010 when a major event was held on the topic. Thereafter, several initiatives were initiated. Four main drivers have been identified as the primary roots or forces behind the country’s social enterprise development: 1) the private driver; 2) the associative/foundation driver; 3) the cooperative driver; and 4) the policy driver.

### Concept, legal evolution and fiscal framework

Currently, the country does not have a specific legal framework for social enterprises; no minimum requirements or threshold criteria define and distinguish social enterprises from other types of entities. *De facto* social enterprises operate under existing legal forms without receiving any legal recognition or acknowledgement from the state. In accordance with the EU operational definition, the typologies that would most likely qualify as social enterprises in Cyprus are private companies limited by guarantee, cooperatives and associations.

**The Cypriot government has recently established several initiatives to formulate a policy in support of an enabling ecosystem for social enterprise development.**

New, forthcoming legislation and a National Action Plan (NAP) are particularly relevant. The draft law, which was developed in 2017 but has not yet been approved, provides a definition of social enterprises that classifies them into two types: general purpose (GP); and social inclusion/integration (SI) social enterprises. According to the proposed law, GP social enterprises will have to promote positive social and/or environmental actions in the interest of society as a primary aim and reinvest at least 70% of profits to fulfil their social mission; meanwhile, the primary aim of SI social enterprises will be the employment of persons belonging to vulnerable groups of the population, who constitute at least 40% of their workforce.

**No fiscal measures currently exist that benefit social enterprises.** Neither do the forthcoming legislation nor the NAP foresee any such benefits. The only provision that might advantage social enterprises concerns SI enterprises, which could benefit from exclusive public contracts after the draft law’s enactment.

## Mapping

Any attempt to estimate the number of Cypriot social enterprises is a challenge due to a significant lack of prior research and data. In accordance with the EU operational definition, the country's social enterprise sector is extremely small and consists of about 190 entities. Forthcoming legislation anticipates that companies already registered under the Companies Law and the Cooperative Law will be eligible for social enterprise status provided that they satisfy specific criteria, thus enabling the registration of private companies limited by shares. Particular prerequisites will include the limited distribution of profits and the reinvestment of any remainder into their social aims. It is not yet clear whether or not associations and foundations would also be eligible to apply for social enterprise status.

## Ecosystem

Support measures for social enterprise development are envisioned in the NAP, which was approved in January 2018 with an anticipated budget of 3.1 EUR million. The majority of funds are intended for social enterprise start-ups. The NAP is dependent upon legislative framework, which has yet to be finalised and ratified. Therefore, the NAP has been approved but not yet implemented.

Although no specific education and training programmes currently address the needs of social enterprises in Cyprus, **a growing number of academic institutions and other organisations offer education, training and support on social entrepreneurship issues**. Dedicated programmes for social enterprises are expected to be launched in the near future, including two incubator projects.

## Perspectives

Cyprus' social enterprise debate is primarily focused on the need for legislation that identifies and regulates the phenomenon. Indeed, stakeholders consulted for the purpose of this study perceive the lack of a specific legal framework as a major restriction. Other constraining factors include: a lack of funding and specialised support; the absence of a specific governmental unit to implement social enterprise policies; limited public awareness of the phenomenon; and the absence of a network or lobby that could promote the sector's interests. Even though the government is establishing relevant initiatives to boost social enterprise development (legislation and the NAP), significant, ongoing delays in their implementation hinder the Cypriot social enterprise ecosystem's sustainability. According to stakeholders, the sector's expansion primarily depends on the government's next action, with all hopes placed upon the forthcoming legislation.



# 1

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## BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

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Cyprus has a long history of socially oriented activities performed by associations, foundations and informal, volunteer groups. The term “social enterprise” was initially used in Cyprus when the first conference on the topic was organised in November 2010. From 2013 onwards, social enterprises have attracted the growing attention of policymakers, academics, practitioners, the general public and the government.

The private sector has been one of the main drivers behind the Cypriot social enterprise ecosystem. Private companies by guarantee (non-profit) or shares (for-profit companies that pursue social aims and distribute a limited share of profits) have been instrumental in raising awareness of social enterprises and the broader social entrepreneurship sector.

Associations and foundations are a second driver. Although they may not define themselves as social enterprises, specific organisations provide services for the wellbeing of vulnerable and socially excluded groups.

The cooperative sector is a third driver, which began almost 80 years ago and is still socially and economically influential.



**Cyprus has a long history and tradition of socially oriented activities performed by associations, foundations and volunteer groups.** Diverse trends have been established across various types of organisations blended with notions of altruism, expressions of kindness, solidarity and collectiveness, which are still present today. The roots of this widespread tradition can be traced to the “Mediterranean” welfare system, when the state’s inability to respond to societal needs was addressed by civil society and the cooperative movement.

The social enterprise phenomenon itself is quite new in Cyprus and still underdeveloped. The term “social enterprise” was initially used in November 2010 when the first conference on the topic, Connecting Social Innovation, was organised in Cyprus by the Synthesis Center for Research and Education Ltd. Since then, several initiatives have been established by organisations pursuing a social and/or environmental purpose in conjunction with economic activity, mainly motivated by the private sector.<sup>1</sup> Several seminars and conferences have been held to inform the public, policymakers and potential social entrepreneurs about the sector. Academia has also contributed to the dissemination of information, launched promotional events on the theme and subsequently introduced social entrepreneurship into its course curricula. In a similar vein, certain associations and foundations have used income generated from economic activity to introduce and develop further systematic, economic efforts to help support the sector’s sustainability. Some other initiatives that can be broadly regarded as social entrepreneurship—albeit unofficially—have also been observed; although they do not currently qualify for legal social enterprise status, these initiatives could be institutionalised as part of the sector at some point.<sup>2</sup>

From 2013 onwards, social enterprises have slowly yet steadily garnered growing attention from policymakers, academics, practitioners and the general public. More intentionally, since 2015, the Cypriot government has established several initiatives to formulate a policy in support of an enabling ecosystem for social enterprise development.

Some development has occurred since “social entrepreneurship” was introduced and certain sectorial organisations have begun speaking about more sustainable economic models with a social mission that sidelines philanthropy. The social enterprise debate has been enriched by the government’s decision to initiate a public funding plan for social enterprise start-ups, which was initiated in December 2013. Discussion has focused on acknowledging those enterprises that facilitate the employment of people with disabilities or provide welfare services within a sustainable economic model. A number of legal and policy initiatives such as the draft law and NAP were also encouraged by

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(1) Private sector or private initiatives, including conventional companies (private companies by shares) and non-profit companies (private companies by guarantee).

(2) See appendix 3.

the discussion, which, unfortunately, have not yet been implemented. Nevertheless, it is expected that state support of social enterprise development will pave the way for a growing number of organisations to deliver general-interest services, especially in social services, culture, sport, recreation, research and health.

The following sections examine the roots and drivers behind the emergence of social enterprises within the Cypriot context.

## 1.1. Private driver

A number of enterprises that combine economic activity with a social purpose, including tackling environmental challenges, have emerged in Cyprus since 2010. The so-called “private driver” includes private companies by guarantee and private companies by shares. Private companies by guarantee can be referred to as “non-profit companies” (see section 2.1.2. for details), whereas private companies by shares are conventional for-profit companies by law. They are regarded as social enterprises when they pursue explicit social goals other than the maximisation of profits and their distribution to founders. These entities often register as conventional companies out of necessity as it is the quickest and most efficient way to start a social enterprise in Cyprus. If they return a profit, it tends to be marginal and they can voluntarily decide not to distribute them to their owners. Importantly, with the exception of cooperatives, no other hybrid legal form exists that allows the limited distribution of profits.

Nevertheless, even if they pursue explicit social aims, these socially oriented enterprises are rarely conceived as social enterprises by the general public. The lack of general awareness about social enterprises and the absence of a specific legal framework in Cyprus raise several questions about the real motivations behind these entities; the widespread assumption is that an enterprise must be profit-oriented by definition. However, once a legislative and operational framework has been established, a number of these entities may well choose to conform to the criteria outlined in the law and register as GP social enterprises.

Private companies by guarantee and the “socially oriented” companies by shares mentioned above operate in a broad range of fields, including: recycling, education and training, and welfare (mainly through the provision of home care services).

The private sector has also been a driving force in raising awareness of social enterprises and the broader social entrepreneurship sector.

## 1.2. Association/foundation driver

The notably different terms “voluntary”, “non-profit” and “non-governmental organisation” (NGO) are quite often used interchangeably and all associated with philanthropy in Cyprus.

A small number of Cypriot associations and foundations have recently developed economic activities to generate income that support their sustainability. Although they cannot define themselves as social enterprises, these entities often focus on providing services for the wellbeing of vulnerable groups and/or socially excluded groups and generate a significant portion of their income by engaging in economic activities, including recycling, the production of organic products and operating secondhand shops. Activities and projects related to the social and work inclusion of vulnerable or marginalised groups are also performed by associations and foundations; although these activities do not qualify as social enterprises, they do have the potential to be institutionalised and become social enterprises at a later stage (see appendix 3).

**Foundations and associations are regulated by the 1972 Societies and Foundations Law**, which was updated in 1997 and further amended in 2017. The law outlines the following provisions:

- > Associations—organised unions of at least 20 persons focussing on a social aim (excluding political parties and trade unions).
- > Foundations—entities that usually have premises whose use is intended to serve the implementation of a particular social objective; the minimum value of a property dedicated to establishing a foundation cannot be less than 1,000 EUR.
- > Federations and/or unions of organisations—three or more associations, foundations, companies limited by guarantee or other relevant non-profit legal entities, either based locally or abroad, may form a federation or a union.
- > Companies limited by guarantee—subject to the same requirements as conventional for-profit companies (e.g., audited accounts and annual levy) yet not allowed to distribute dividends and follow a different legal framework than associations and foundations.
- > Organisations that are registered abroad and yet active in Cyprus—subject to the provisions of the European Convention on the Recognition of the Legal Personality of International NGOs. Such federations or unions can be established with respective foreign organisations on the condition that their articles of association specify that the applicable law governing their action shall be the same law that applies in the Republic of Cyprus.

The legal framework does not recognise any informal groups (groups of citizens with no legal status).

### 1.3. Cooperative driver

Cyprus' cooperative sector, which began almost 80 years ago and continues to this day, expresses a similar sense of solidarity that drives social enterprises. Due to its longstanding influence on Cyprus' societal and economic life and values, the cooperative movement is an essential contextual reference.

**The first cooperative effort started in the 20<sup>th</sup> century.** In the national archive records, reference is made to the then Director of Agriculture's attempts to set up cooperative credit societies in the villages of Peyia, Chlorakas, Kissonerga and Mesogi in 1904. However, they were soon dissolved due to several administrative and financial difficulties.

**During the period 1936–1974, the Cypriot cooperative movement experienced significant growth.** Poor living conditions, increased unemployment and a lack of access to financial credit institutions resulted in the rapid development of cooperative initiatives aimed at meeting these needs. In 1937 the Cooperative Central Bank (CCB) was founded due to the large expansion of cooperative credit societies, which required a central body to facilitate their work. Furthermore, it was tasked with creating cooperative capital funds and self-financing. The CCB accepted surpluses from affluent cooperative societies as deposits and lent their investment to weaker cooperatives on favourable terms, which they subsequently granted to their members in the form of short-term credit. In addition to accepting deposits and granting loans, the CCB supplied farmers with funding to meet their various needs and acted as a government representative to finance various developmental agricultural programmes, which are still ongoing.

**The Turkish invasion of 1974 resulted in the Cypriot economy collapsing** alongside the enforced displacement of one third of the island's total population from the north to the south. During that era the cooperative movement contributed decisively to the reduction of housing problems by offering loans to the population at low interests and accepting relinquished properties in the north as guarantee. This shift, along with the island's subsequent financial prosperity, led cooperative societies to become financial institutions on a par with banks with more lenient rules on lending for cooperative members in the 1980s. All other activities were eliminated or abandoned.

**The global financial crisis that hit Cyprus in 2013 revealed a high proportion of unsecured debts within the cooperative sector** indicative of mismanagement and a lack of proper supervision on lending. The state, in its effort to keep the system running, lent money and assumed the management and supervision of cooperatives. However, as more than 50% of its sudden responsibility were non-performing loans covered by inadequate security, policymakers decided to split the sector in two according to positive or negative performance. The former half was sold to another banking institution and

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the latter was retained by the Cypriot government, which set up a loan management company to manage assets.

The Cooperative Bank's collapse does not mean that the Cypriot cooperative society has been relinquished. Efforts are being made to plan strategically and improve the cooperative sector's performance. Today, 75 cooperative companies are estimated to still be active. Whether or not all or only some of them can be considered social enterprises forms part of current debate. Forthcoming legislation makes explicit reference to cooperatives as eligible for social enterprise status upon the fulfilment of established criteria. This provides an opportunity for cooperatives with a broader social mission, which goes beyond serving the interests of their members, to become social cooperatives similar to those already present in other European countries. Such an evolution would contribute to regenerating the cooperative sector and become a driving force for the social enterprise sector.

### 1.4. Policy driver

The state's first steps to promote a policy that could support the creation of an enabling ecosystem for social enterprises in Cyprus began after the launch of the Social Business Initiative (SBI) (European Commission 2011). During the economic and financial crisis, social enterprise development was promoted higher on the policy agenda. **In 2013 the government decided to initiate a plan to develop the sector by reserving public funds to support social enterprise start-ups.** The President of Cyprus announced a series of measures to combat unemployment and social exclusion: 6 EUR million would be made available to create 180 social enterprises. The decision was focused on developing an alternative way of integrating socially excluded groups. A working group, which consisted of members of the Ministry of Finance, was established to build a coherent strategy for the initiative.

In 2015 the government's support was formally announced; social entrepreneurship was identified as a complementary form of entrepreneurship that could contribute to addressing social or environmental challenges (MECIT and UAR 2015). The role of social enterprises was acknowledged as a means of eliminating labour market discrimination and inequality, strengthening and promoting the employment of vulnerable groups, and creating new jobs and entrepreneurship activities in rural communities across Cyprus.

**In 2017 the European Commission (EC), following a suggestion by the Ministry of Finance, contracted external experts to develop a policy paper on the development of Cyprus' social enterprise ecosystem** (Synthesis 2017). Certain elements of the policy report have been incorporated into the draft law *On the*

*development and maintenance of a registry of social enterprises* and the NAP for social enterprises. Although the NAP has been approved, its implementation is dependent on the draft law being passed, which is yet to happen.

The NAP places emphasis on support measures aimed at the work and social integration of disadvantaged or vulnerable people. Furthermore, it includes several support measures and funding schemes to initiate social enterprise start-ups and financial services that could contribute to the sector's short and long-term development and sustainability.

The draft law's approval and NAP's implementation are anticipated to provide impetus to the sector and clarify required developmental actions.



# 2

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## CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

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Cyprus does not have a specific legal framework for social enterprises. Currently, the draft law *On the development and maintenance of a registry of social enterprises*, which was approved by the Council of Ministers in 2018, is awaiting assignment to the relevant ministry before being sent to the relevant committee for discussion.

However, once a legislative and operational framework has been established, a number of entities (including companies limited by shares) may choose to conform to criteria outlined in the law and register as social enterprises.

According to the draft law, two types of social enterprises will be recognised: 1) general purpose (GP) social enterprises, whose primary purpose is the achievement of a social mission through the promotion of positive social and environmental actions in the interest of society; and 2) social inclusion/integration (SI) social enterprises, whose primary purpose is the achievement of a social mission with a workforce at least 40% composed of persons belonging to vulnerable groups.

The two social enterprise typologies envisaged by the draft law are not new legal forms but a “qualification” or “status” that could be awarded to entities with different legal forms.



## 2.1. Defining social enterprise borders

### 2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition included in the Social Business Initiative (SBI) of 2011. According to the SBI, a social enterprise is an undertaking:

- > whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- > which uses its surpluses mainly to achieve these social goals;
- > which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.

This definition arranges social enterprise key features along three dimensions:

- > an entrepreneurial dimension,
- > a social dimension,
- > a dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can combine in different ways; it is their balanced combination that matters most when identifying the boundaries of social enterprise.

Building upon this definition, the Commission identified a set of operational criteria during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined them again for the purpose of the current phase of the study (see appendix 1 for further details).

### 2.1.2. Application of the EU operational definition of social enterprise in Cyprus

Cyprus does not yet have a specific legal framework for social enterprises. Currently, no minimum requirements or threshold criteria define Cypriot social enterprises to distinguish them from other types of enterprises. Therefore, **social enterprises can operate under any existing legal form as outlined below.**

1. Limited liability companies can be:
  - a. A company limited by guarantee without shared capital formed to achieve a shared objective, which often but not always has a charitable or social scope. They can generate income from trading goods or services and, by law, are prohibited from distributing profits. Profits are reinvested toward the continuation and achievement of its objectives. Its members are guarantors who agree

to contribute a nominal amount in the event that the company is wound up. It should be highlighted that often companies by guarantee circumvent the non-profit distribution constraint by paying excessively high salaries to their founders/directors or by subcontracting other companies owned by their founders or directors.

- b. A company limited by shares that pursues a social aim and distributes only a limited share of its profits as decided by its shareholders. Although this typology is not envisaged by current tax laws, it is regulated as any other conventional company limited by shares.
2. Cooperative societies mainly serve the interests of their members in accordance with cooperative principles. They are market-oriented organisations managed through a democratic participatory process that permit a limited distribution of profits to their members. Cooperative society registration requirements are notably more complex when compared with those needed to register a conventional company.

A cooperative society can be registered in a sector where another cooperative does not already exist or operate and which does not have the same purpose of business activities. Moreover, a feasibility study must be submitted to the Cooperatives' Commissioner so that its registration application can be examined. At least half of the annual net profits of a cooperative society must be transferred to capital reserves. The distribution of remaining profits can be made after a decision is taken by the cooperative's general assembly of members. At least 12 members who live in the same district need to be listed as founding members.

The draft law on social enterprises developed in 2017 (see section 2.2.) makes explicit reference to cooperatives, stating that they are eligible to obtain social enterprise status provided that they fulfil the envisaged criteria. Some cooperatives are expected to move from a mutual to a social orientation under the new law.

3. Associations are formed by a minimum of 20 people who work in close collaboration to achieve a shared objective. They have a social mission, inclusive governance and are prohibited from distributing profits to their members, founders, board of directors or officials that may arise from their activities. Instead, they can invest or use profits for the continuation and achievement of their objectives. However, very few generate more than 25% of their income from trading goods and services. In addition, they are legally prohibited from implementing large scale commercial activities, even if the introduction of such activities could further support their social purpose. In essence, the law stipulates that associations may occasionally perform limited commercial activities (e.g., a bazaar, a paid event or an auction) but are not allowed to perform large scale commercial activities such as establishing production lines and factories. The legal framework for associations is not exhaustive on the above issue; therefore, in some instances, the legal situation for the commercial activities of these organisations is not completely clear.

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4. Foundations may obtain certain property (assets and/or funds) to promote their purpose; they can be charitable, patrimonial or collective. The founder must establish a fund, which acts as a means to finance itself. Clubs were a fifth type of legal form that could previously operate as social enterprises. They had to include a minimum of 20 people with shared interests, mainly for the purposes of socialisation or entertainment. However, law 104(I)2017 abolished clubs as a possible legal entity in Cyprus. Any club wishing to continue its operation must register as one of the four legal personalities listed above that are recognised in Cyprus. As a result, they are not further discussed in this analysis. According to the EU operational definition, private companies limited by guarantee, associations and cooperatives are the most likely typologies to qualify as social enterprises in Cyprus.

The table below summarises the fulfilment of the EU operational definition by legal type.

**Table 1. Fulfilment of the EU operational definition by legal type**

Legal types	Social dimension	Entrepreneurial / economic dimension	Ownership/inclusive governance
<b>Private companies by guarantee</b>	Yes but often not clearly defined	Yes	Yes, distribution of profits/dividends is disallowed. Inclusive governance is possible but not required.
<b>Private companies by shares</b>	Possible, but they are not required to pursue social aims	Yes	Some private companies by shares decide not to distribute profits/dividends to owners. Inclusive governance is possible but not required.
<b>Cooperatives</b>	Possible, but in principle they pursue the interest of their members	Yes	Yes, at least 50% of profits must be reinvested; the rest can be distributed to members. Democratic decision-making process.
<b>Associations</b>	Yes	Possible	Yes, distribution of profits or dividends is disallowed. Inclusive governance is possible but not required.
<b>Foundations</b>	Yes	Possible	Yes, distribution of profits/dividends is disallowed. Inclusive governance is possible but not required.

## 2.2. Legal evolution

Cyprus does not have a distinct legal framework in place for social enterprises.

In December 2013 the President of the Republic of Cyprus announced a list of policies aimed at reducing unemployment and social exclusion. Under the pillar of “social cohesion”, specific referrals and actions were identified regarding the social economy’s development that prioritised the creation of social enterprises (Press and Information Office 2013). That same year, the European Social Fund (ESF) Unit of the Ministry of Labour, Welfare and Social Insurance began actively participating in the Social Entrepreneurship Network, an international group that included the ESF’s managing authorities and social enterprise representatives from nine EU Member countries and regions. The ministry’s involvement focused on gathering technical know-how of policy support for social enterprises in Europe and discussing their application within Cyprus. Its findings culminated in the organisation of a workshop on social economy and social entrepreneurship in Nicosia in May 2014, which was an eye-opener to many policymakers and industry executives on the island. Participation in the network led to increased visibility of social enterprises within relevant ministerial policymaking departments and provided the springboard for a draft social enterprise legal and regulatory framework.

Cypriot authorities also developed a comprehensive reform agenda intended to create a new economic model in 2014. Beside this initiative, the Unit of Administrative Reform (UAR) and the Ministry of Energy, Trade, Industry and Tourism developed the Statement on National Policy for the Development of the Business Ecosystem in Cyprus (SNP), which was adopted in 2015. The paper outlines a comprehensive policy framework and targeted action plan for the integrated development of an entrepreneurial ecosystem in the country. Its resultant process is the first systematic approach to create a Cypriot entrepreneurial ecosystem with the right conditions to encourage successful business initiatives, which could contribute to economic growth. A number of different pillars were announced, including the need to develop alternative forms of entrepreneurship, such as social entrepreneurship (MECIT and UAR 2015).

Efforts to boost entrepreneurship continued the following year when actions were intensified at a policy level to establish a social enterprise ecosystem. The UAR supported the necessary preparation of a draft law that would include a definition of social enterprise and the creation of a social enterprise registry for entities that fulfil established criteria, irrespective of their legal form. The draft law is considered a fundamental step towards the differentiation of social enterprises from other business forms, along with the establishment of support measures that would help develop the sector and its long-term sustainability.

The government recognised the importance of promoting public dialogue and the potential contribution of citizens and decided to post the initial draft law on the presidency's web site and launched a public consultation that took place between March and May 2017. Following this consultation process, the draft law was approved by the Council of Ministers in January 2018 along with the NAP for social enterprises. At the time of writing, the draft law is still awaiting assignment to the relevant ministry before being sent to the relevant committee for discussion.

### 2.2.1. Main characteristics of the draft law

The current draft law's main characteristics are displayed below, which may be subject to change before being approved and enacted.

Through the proposed legal document, the state has introduced the possibility for enterprises to register on a specialised database, which is currently known as the Register of Social Enterprises. Organisations will be entitled to register if they have satisfied specific criteria, irrespective of their legal form. However, only explicit reference is made to companies and cooperatives. No reference is made to associations and foundations. According to article 3 of the draft law:

*The purpose of this Law is to [allow] enterprises, with the exception of state-owned enterprises, to register in the Register of Social Enterprises. Registration rights in the Registry will have registered companies under the Companies Law, cooperative societies under the Cooperative Societies Law and other enterprises, regardless of their legal form, which are able to document to the competent authority, their partners and their clients, that they are intended to have a positive impact on society and meet specific transparency and functioning criteria as defined in Article 5.*

Article 4 specifically refers to companies and cooperatives as well as other legal entities:

*Registered companies under the Companies Law, cooperative societies under the Cooperative Societies Law and other enterprises, irrespective of their legal personality, which cumulatively meet the criteria of Article 5 are defined as social enterprises and may be registered in the Register of Social Enterprises, established under this Law.*

Article 5 outlines specific criteria that must be fulfilled by legal entities in order to be awarded social enterprise status. Moreover, it classifies social enterprises into two types:

- > General purpose (GP) social enterprises are entities whose primary purpose is the achievement of a social mission through the promotion of positive social and/or environmental actions in the interest of society;

- > Social inclusion/integration (SI) social enterprises are entities whose primary purpose is the achievement of a social mission with a workforce at least 40% composed of persons belonging to vulnerable groups of the population.

The main characteristics of a GP social enterprise are outlined below:

- > It provides services or goods on the basis of a business model; the firm is deemed to fulfil this condition if the majority of its revenue derives from a business activity.
- > It is registered in a public system/database for social enterprises.
- > It invests at least 70% of generated profits to promote its social mission and applies pre-defined procedures and rules regarding the distribution of remaining profits to members, shareholders and owners in order to ensure economic viability.
- > It is managed in an entrepreneurial, responsible and transparent manner, in particular with the participation of members and/or employees and/or customers and/or other interested parties affected by its business activities and is not a state business.

The main characteristics of a SI social enterprise are outlined below:

- > At least 40% of its workforce is composed of persons belonging to vulnerable groups of the population (as determined from time to time by decree).
- > It provides services or goods on a business model basis; the entity is deemed to fulfil this condition if the majority of its revenue derives from a business activity.
- > It is managed in an entrepreneurial, responsible and transparent manner, in particular with the participation of members and/or employees and/or customers and/or other interested parties affected by its business activities and is not a state business.

Notably, the two above mentioned social enterprise typologies envisaged by the draft law are not new legal forms but a “status” or “qualification” that could be awarded to entities with different legal forms. In addition, the draft law prohibits the use of the term “social enterprise” by entities not registered in the Register of Social Enterprises, also stipulating that they would be fined up to 15,000 EUR if convicted.

Interestingly, the draft law also makes explicit reference to the eligibility of organisations registered under the Companies Law and the Cooperative Law for social enterprise status provided that they satisfy specific criteria. Conversely, whether or not associations and foundations would be eligible for social enterprise status is unclear.

The following table compares the EU operational definition and criteria outlined in the forthcoming legislation.

Table 2. Comparison between the EU and Cypriot definitions of social enterprise

Main dimension	Europe	Cyprus - <i>General purpose social enterprises (GP-SE)</i>	Cyprus - <i>Social integration social enterprises (SI-SE)</i>
<b>Social dimension</b>	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. "Social" is intended in a broad sense to include the provision of cultural, health, educational and environmental services.</p> <p>Product: When not specifically aimed at facilitating the social and work integration of disadvantaged people, SEs must deliver goods/ services that have a social connotation.</p> <p>Primacy of social aim must be clearly established by national legislation, the status of SEs or other relevant documents.</p>	<p>The State's philosophy emphasises "social benefit or mission" in relation to entrepreneurial character.</p> <p>The draft law defines GP-SEs as entities whose primary purpose is their social mission through the promotion of positive social and/ or environmental actions in the interest of society.</p>	<p>In accordance with its constitutive and constitutional documents or other legal documents based on its establishment, the primary purpose/social mission of an SI-SE is at least the 40% employment of persons belonging to vulnerable groups of the population.</p>
<b>Entrepreneurial/ economic dimension</b>	<p>SEs are engaged in carrying out stable and continuous economic activities and hence show the typical characteristics that are shared by all enterprises.</p> <p>SEs must be market-oriented (incidence of trading should be ideally above 25%).</p>	<p>GP-SEs are set up adopting a sustainable business model. They provide services or goods and generate revenue as a result of business activity.</p>	<p>SI-SEs perform their operations based on sustainable business models and their income is generated from the sale of either services or goods.</p> <p>The firm is considered to meet its specific condition if most of its revenue derives from business activity.</p>
<b>Limited profit distribution</b>	<p>SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalised in different ways.</p>	<p>The forthcoming legislation defines predetermined procedures and rules for the distribution of profits to members, shareholders and owners in an effort to secure the financial sustainability of the enterprise. GP-SEs invest at least 70% of their profits to promote their social mission and achieve their primary purpose.</p>	<p>No reference to reinvestment of profits.</p>
<b>Inclusive governance-ownership dimension</b>	<p>To identify needs and involve stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance to various extents the participation of stakeholders affected by the enterprise.</p>	<p>It is managed in an entrepreneurial, responsible and transparent manner, especially with the participation of members and/or employees and/or customers and/or other stakeholders affected by its business activities and is not a state-owned enterprise.</p> <p>In the event of dissolution, GP-SEs and SI-SEs must ensure that any assets are used to promote their social function and achieve their primary purpose through distribution to another social enterprise or other body promoting social and/or environmental purposes.</p>	

## 2.3. Fiscal framework

No specific fiscal incentives currently exist for *de facto* social enterprises in Cyprus. Moreover, the government is apparently reluctant to introduce fiscal benefits even after the approval of the draft law to avoid the resistance of other competitive parties. The “still-in-progress” debate with stakeholders revolves around the possibility of applying a number of potential incentives:

- > A temporary, 3-year exemption of the annual 350 EUR company fee paid to the Registrar of Companies and Official Receiver for all enterprises registered in the Register of Social Enterprises;
- > Employment subsidies for enterprises that hire people who were previously reliant on public benefits, which could help introduce the new scheme to a larger section of the population and recruit people from vulnerable groups;
- > Adoption of tax incentives for natural persons investing in social enterprises. The NAP proposes a corresponding amendment in the Income Tax Law (effective from January 2017) that would grant a tax deduction to natural persons investing in innovative enterprises, either directly or through investment funds, equal to the amount of the investment made, limited to 50% of the taxable income. Furthermore, a discount cap of up to 150,000 EUR per year and the right to transfer the deduction for up to five years after its introduction has been suggested, which would function similarly for both social enterprise and innovative enterprise investors.



# 3

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## MAPPING

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As no legal framework is yet in place for Cypriot social enterprises, precise statistics cannot be provided regarding their size and the sector's overall prominence. In addition, no documentation or up-to-date information regarding the scope and range of activities undertaken by associations, foundations and companies by guarantee exist, which further hinders the identification of organisations whose social mission prevails over profit maximisation. Although only estimates can be provided at this time, Cypriot *de facto* social enterprises appear to be active within personal care services, education and training, the environment, animal protection and waste management. The prevalence of social enterprises amongst companies limited by shares also cannot be assessed due to a lack of public data.

Overall, the country's social enterprise sector (excluding companies limited by shares) appears to be extremely small, consisting of about 190 entities.



## 3.1. Measuring social enterprises

**As no legal framework is yet in place for Cypriot social enterprises, precise statistics cannot be provided regarding their size.** Moreover, as the sector is at a very early developmental stage, no measurement efforts have been identified by the state, academia or experts in the field.

Given the lack of official and/or up-to-date information or documentation regarding the economic activities of associations, foundations and companies by guarantee, and subsequent inability to measure the degree of prioritisation of social mission over the profit maximisation purpose of companies by shares, **a rough estimate of the entities that can be considered *de facto* social enterprises has been performed using the following step-by-step procedure:**

1. All archives relevant to the legal types identified in section 2. have been identified and accessed to extract information about all of the organisations that might fulfil the EU definition of social enterprise (see footnotes 3–7).
2. These archives only list organisation contact details and do not provide information that can be used to verify whether an organisation fulfils the EU definition's criteria.
3. Therefore, entities that do not perform economic activity by nature (e.g., professional unions) have been excluded.
4. Remaining entities have been filtered based on their fields of activity. Information on their activity has been collected by analysing the names of organisations (which often enable the type of economic activity performed and/or modus operandi to be identified), performing internet searches and through direct contact. The following table illustrates the total number of active organisations and an estimate of the possible number of *de facto* social enterprises for each legal type.

Table 3. Estimated number of social enterprises by legal type in Cyprus as of 2017

Legal type	Total number	Number of SEs (estimate)	Notes
Companies limited by guarantee	377	100	This is a rough estimate of entities that are active, carry out an economic activity and genuinely meet the “non-profit distribution” requirement.
Companies limited by shares	217,588	N.A.	Estimation not possible.
Cooperatives	92	20	Up to 20 cooperatives pursue social aims.
Associations	4,679	50	It is estimated that around 10% of associations perform entrepreneurial activity based upon the information contained in the CSSDA.
Foundations	388	20	Estimate of foundations with economic activity.
<b>Total</b>	<b>5,534</b>	<b>190</b>	–

## 3.2. Social enterprise characteristics

### Fields of activity

Organisations that can be considered *de facto* social enterprises in Cyprus are engaged in personal care services, education and training, environment, animal protection and waste management (i.e., reuse, recycling, recovery and disposal). Other legal entities also implement projects that have the potential to be institutionalised and become social enterprises. Social enterprises could strengthen their development in fields where the state and conventional enterprises are less active due to either limited profitability, perceived difficulties or a small size of the market (Synthesis 2017).

Since the draft law refers to the eligibility of legal entities devoted to the social and work integration of vulnerable people for social enterprise status, it is expected that a number of social enterprises will be formed to integrate disadvantaged groups into the labour market.

## Labour characteristics

**Overall, employment has been steadily growing in Cyprus since 2015 with a near equal balance between male and female employment rates (52% and 48% in 2017, respectively).**

Although no data are available on the scale of employment in Cypriot *de facto* social enterprises, data are available for social economy organisations. In 2014–2015 it was estimated that almost 7,000 people were employed in social economy organisations: 3,906 were employed by associations and foundations, with the remaining employed in the cooperative sector.<sup>3</sup> Thus, employment in the social economy (associations, foundations and cooperatives) represents less than 2% of the country's total workforce.

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(3) <https://www.eesc.europa.eu/sites/default/files/files/qe-04-17-875-en-n.pdf>

# 4

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## ECOSYSTEM

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The social enterprise ecosystem in Cyprus involves a variety of key actors, namely: policymakers (the design and implementation of public policies, support instruments/measures directed at social enterprises and related infrastructures); a monitoring authority (the Ministry of the Labour, ESF Unit); higher education institutions; civil society organisations and research centres; and other institutions promoting social entrepreneurship education and training.

In addition to the above, co-working facilities for social enterprises also form part of the country's developing ecosystem, as do organisations that can provide specialist business.

Although not specifically tailored to social enterprises, some support measures also currently exist that can benefit social enterprises, including grants, a Cyprus Entrepreneurship Fund, a facility for Advice for Small Business and the Restart 2016-2020 programme. Furthermore, the NAP envisages certain measures that will be tailored to social enterprises such as funding schemes, incubators and a favourable public procurement framework. Additionally, the sector has access to research, education and skills development.



## 4.1. Key actors

An overview of the main actors involved in Cyprus' social enterprise ecosystem is presented in table 4 below.

**Table 4. Overview of key social enterprise ecosystem actors**

Type of institution/Organisation	Actor
<b>Policymakers (design and implementation of public policies, support instruments/measures for SEs and related infrastructures)</b>	<ul style="list-style-type: none"> <li>&gt; Labour Department from the Ministry of Labour, Welfare and Social Insurance (MLWS)</li> <li>&gt; European Social Fund Unit (part of MLWS)</li> <li>&gt; Welfare Services Department (part of MLWS)</li> <li>&gt; Ministry of Energy, Commerce, Industry and Tourism</li> <li>&gt; Ministry of Education</li> <li>&gt; Ministry of Finance</li> <li>&gt; Ministry of Health</li> <li>&gt; Treasury of the Republic, Department of Public Procurements</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>&gt; Ministry of the Labour, ESF Unit</li> </ul>
<b>Higher education</b>	<ul style="list-style-type: none"> <li>&gt; Cyprus University of Technology</li> <li>&gt; European University Cyprus</li> <li>&gt; Frederick University</li> <li>&gt; University of Nicosia</li> <li>&gt; Cyprus International Institute of Management (CIIM)</li> </ul>
<b>Civil society organisations, research centres and other institutions promoting social entrepreneurship education and training</b>	<ul style="list-style-type: none"> <li>&gt; Chamber of Commerce and Industry</li> <li>&gt; NPO, Center for the Advancement of Research &amp; Development in Educational Technology (CARDET)</li> <li>&gt; Center for Social Innovation (CSI)</li> <li>&gt; Synthesis Center</li> <li>&gt; SEAL (NPO for competence development)</li> <li>&gt; Youth Power</li> <li>&gt; AKTI Project and Research Center</li> </ul>
<b>Co-working facilities for social enterprises</b>	Hub Nicosia
<b>Social enterprise networks</b>	Cyprus Network of Social Entrepreneurship (informal network)
<b>Organisations providing specialised business support for SEs</b>	Although no specialised demand for business support for SEs is as yet required, organisations do exist that could provide the right structure
<b>Financial intermediaries providing specialised services for SEs</b>	Do not exist

Additional key actors who occasionally express their views and contribute to the development of an enabling ecosystem for social enterprises are: the Pancyprian Volunteerism Coordinative Council (PVCC); the Office of the Commissioner of Volunteerism; the Office of the Environment Commissioner; and commercial chambers, municipalities and other local authorities.

## 4.2. Policy schemes and support measures for social enterprises

No publicly funded support schemes currently exist in Cyprus that are specifically designed for social enterprises. However, several other schemes and programmes are already in place that could be of benefit to social enterprises.

Support measures that specifically address social enterprises are envisaged in the NAP.

### 4.2.1. Support measures addressed to all enterprises that fulfil specific criteria (that may also benefit social enterprises)

#### **Grants to strengthen the competitiveness of Small and Medium-sized Enterprises (SMEs) in the manufacturing sector (currently open)**

**The grants scheme supports, develops and promotes SMEs in the manufacturing sector** and develops specific monetary and financial instruments that favour the expansion and modernisation of existing and/or the viable establishment of new SMEs.

#### **Modernisation of units for the manufacturing and trading of agricultural and forestry products (Act 1.6 of the Program for the Development of Agriculture) (currently open)**

**The modernisation scheme provides incentives or investments to legal or physical persons or SMEs<sup>4</sup>** targeting the following fields of activity: a) the development of new products with high added value; b) the improvement of sanitary conditions that conform with necessary standards; c) the utilisation of agricultural and raw forestry material, and the improvement of the agricultural sector's potential income; d) the promotion of traditional and biological products; and e) the protection of the environment.

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(4) As described by the recommendation of the EC Commission dated 6.5.2003/361/E.

### Cyprus Entrepreneurship Fund (CYPEF) (currently open)

The CYPEF facilitates access to finance for SMEs through the provision of financial risk-sharing products and loans with favourable financial terms. It is financed through a 70 EUR million loan provided by the European Investment Bank (EIB) to the Republic of Cyprus based on a financial agreement, which was amended in May 2017. This amount is supplemented by capital of an equal value from financial intermediaries/commercial banks participating in the CYPEF programme, namely the Bank of Cyprus' 60 EUR million contribution and Ancoria Bank Ltd's 10 EUR million contribution.

### Advice for Small Businesses Facility (currently open)

In its attempts to strengthen SMEs, the Ministry of Energy, Commerce, Industry and Tourism (MECIT) has signed an agreement with the European Bank for Reconstruction and Development (EBRD) to implement the Advice for Small Businesses Facility Programme in Cyprus, supported by the European Structural and Investment Funds (ESIF). The programme aims to improve the competitiveness of SMEs and develop their know-how in Cyprus, mainly through the provision of counselling and training.

## 4.2.2. Support measures addressed to social economy/non-profit organisations (that may also benefit social enterprises)

### RESTART 2016–2020 Programme (Applications for Innovate, Pre-Seed and Seed are currently open)

All social enterprises, irrespective of their legal form, can submit proposals to the RESTART 2016–2020 Programme of the Research Promotion Foundation (RPF) for Research, Technological Development, and Innovation. The RESTART programme includes a dedicated section on social innovation that supports the development of innovative ideas, products, services and technologies. It also encourages good practice models of organisation, governance and enhancement, the development of abilities and strategies for meeting societal challenges, and new relationships and collaborations between social partners and other stakeholders. The first call for proposals was launched as a pilot in 2017 with a total budget of 600,000 EUR; selected projects are expected to begin at the end of 2019. An evaluation of its outcomes will be performed before any subsequent call for proposals.

### 4.2.3. Support measures specifically addressed to social enterprises

As previously mentioned, no public support schemes that explicitly or specifically target social enterprises currently exist in Cyprus. However, **European Regional Development Fund (ERDF)/ESF support has been allocated to promote and develop the Cypriot social enterprise ecosystem within the 2014–2020 programming period.** Moreover, the NAP for social enterprise development includes the support measures listed below; however, details of the plan's implementation and an eligibility framework have not yet been provided.

#### **Funding (forthcoming)**

The plan includes a grant for start-ups and existing social enterprises. Support, once initiated, will generally be offered up to 25,000 EUR. If the enterprise employs disabled people or people from vulnerable groups, an additional grant will be available as follows: 4,000–12,000 EUR per person for those with disabilities; and 3,000–12,000 EUR per person for individuals belonging to vulnerable groups. The initiative will support 80 social enterprises and cover various operational expenses. The Ministry of Labour, Welfare and Social Insurance / Department of Labour may also subsidise the employment of unemployed people for a specific period.

#### **Support by Incubators (forthcoming)**

**From 2019 to 2021, two social enterprise incubators will support social enterprise start-ups for a period of up to three years.** After that period, enterprises will move to their own workspaces, as new entities replace them in the incubators. Newly established social enterprises supported by one of the two incubators will be offered the following services: the low rental cost provision of offices and workshops; financial mentoring and assistance; secure funding sources; business development services; consultation services and know-how; networking; and collaboration with universities.

#### **Additional measures, which are subject to final decisions, may include:**

- a. a label and certification system, which will help social enterprises to distinguish themselves from other enterprises;
- b. an electronic portal to inform the public and potential investors as well as new entrepreneurs about the steps for creating a new social enterprise, available funding sources and training opportunities;
- c. initial and advanced vocational and educational training for young and experienced social entrepreneurs to help them develop new ideas and social enterprises;
- d. mentoring schemes.

### 4.3. Public procurement framework

In 2016 Cyprus incorporated the EU directive into its national law *Public Procurement and Related Issues* (73(I)2016), which is the basic legislation governing the tender procedure for public contracts. It envisages the possibility of awarding reserved contracts to certain organisations operating in specific areas, after an executive decision by the Council of Ministers. More specifically, paragraph 7 denotes:

*The Council of Ministers may grant exclusively, rights of participation to procedures for the award of public contracts to sheltered employment programmes and organisations whose main purpose is the social and occupational integration of persons with disabilities or disadvantaged persons or to award the implementation of contracts from sheltered employment programmes or organisations, in the case of more than 30% of the employed persons being people with disabilities or from socially excluded groups.<sup>5</sup>*

However, at the time of the writing, this relevant provision has not yet been utilised.

Given the current lack of knowledge regarding how public procurement contracts might be put to specific tender, it is anticipated that further action such as training may be required within the public sector and local government bodies.

### 4.4. Networks and mutual support mechanisms

Cyprus does not currently have a formally established network that coordinates efforts for the development of social enterprises. Although effort to set up an informal network of social entrepreneurs was initiated in 2010, no practical and/or systematic activity has yet been observed. However, the NAP includes provision to support the formation of such a network from 2018 to 2020.

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(5) Such tender should include an explicit referral to the above article.

## 4.5. Research, education and skills development

### 4.5.1. Universities and higher education institutions

Tertiary education has been activated to promote social entrepreneurship either as an independent area or as part of a wider entrepreneurship zone. **Several universities and higher education institutions include courses on social entrepreneurship**, especially within their study programmes for Business Administration. However, none of these programmes are specifically focused on social enterprises.

Cyprus University of Technology incorporates an Introduction to Social Design, Innovation and Entrepreneurship course into its Management Bachelor Programme. The course informs students about the basic theoretical and practical aspects of social design, innovation and entrepreneurship through an interdisciplinary and cooperative learning framework.<sup>6</sup>

Frederick University includes an elective course on social entrepreneurship in its Social Work Bachelor Programme, which familiarises students with techniques and social intervention strategies for creating social enterprises at local, national and European levels.<sup>7</sup>

University of Nicosia incorporates a course on social entrepreneurship in its Business Administration Bachelor Programme. Emphasis is placed on analysing theories and tools related to social innovation, the social entrepreneurial spirit and characteristics, and developing social enterprises. In 2018, in collaboration with Synthesis Center, the university developed a specialised training programme for social enterprises which applies the EMES/EU definition of social enterprise, draft law and NAP. The module is part of the Innovative Vocational Social Entrepreneurial Training (INNOVENTER) programme developed by the Cyprus Chamber of Commerce and Industry and other European partners, which was launched in May 2019.<sup>8</sup>

Cyprus International Institute of Management (CIIM) focuses on developing sustainable value for society. Its Business Administration Bachelor Programme includes an elective module on social entrepreneurship.<sup>9</sup>

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(6) <http://www.cut.ac.cy/studies/bachelor/bachelor-programmes/module-description/?languageId=1&contentId=134410>.

(7) [http://www.frederick.ac.cy/fu\\_documents/cips/4694.pdf](http://www.frederick.ac.cy/fu_documents/cips/4694.pdf).

(8) <https://www.unic.ac.cy/business-administration-entrepreneurship-and-innovation-bba-4-years-2/>.

(9) [https://www.ciim.ac.cy/ciim\\_con/uploads/2016/09/CIIM-BBA.pdf](https://www.ciim.ac.cy/ciim_con/uploads/2016/09/CIIM-BBA.pdf).

#### 4.5.2. Research institutions and observatories

A number of research institutions, mostly affiliated with universities, have recently designed and implemented a number of research initiatives broadly based on entrepreneurship. Specific topics such as social entrepreneurship, social innovation and public policies are incorporated. However, due to a significant lack of data on social enterprises, social entrepreneurship has not yet been their primary focus.

Synthesis Center for Research and Education Ltd. promotes Cyprus' social entrepreneurship and social innovation sectors. It was the country's first institute of this nature, which has been organising European conferences and training events since 2010. In 2012 the organisation piloted a self-financed, work integration scheme "Garden of the Worlds" focused on the training and employment of vulnerable people. In 2015 it established Hub Nicosia with the vision of providing a social innovation incubator.<sup>10</sup> Since 2013 it has offered consultation to various government departments on the country's social enterprise ecosystem's development. Its recommendations for the creation of a Registry of Social Enterprises and the development of a dual typology of social enterprises (GP and SI) have been adopted.

The Centre for Entrepreneurship (C4E) is a research and training centre at the University of Cyprus. It provides training and education that develops an entrepreneurial culture within the academic community for students, young researchers, academics, administrative staff and graduates. The C4E promotes educational activities at undergraduate and graduate levels, and facilitates interdepartmental audiences through courses and empirical exercise workshops with teams of students from different disciplines on relevant topics to start-ups, entrepreneurship, social entrepreneurship and intrapreneurship (business entrepreneurship).<sup>11</sup>

The European University Cyprus Performance Enterprise Accelerator and Knowledge Innovation Center (EUC-PEAK) is a research centre affiliated with the European University of Cyprus. It researches, supports and accelerates entrepreneurship, business innovation and knowledge transfer in Cyprus and nearby countries. The centre also acts as a facilitator of change and a partner in aiding knowledge transfer between the academic community and local and regional businesses. It envisions becoming a hub for the research, applications and education of Cypriot start-up companies, SMEs, the industrial and manufacturing community, social entrepreneurship and green entrepreneurship, stakeholders and public authorities.<sup>12</sup>

AKTI Project and Research Center is a non-governmental, non-profit organisation (NPO) based in Nicosia, Cyprus. It was established in 2000 by a group of experts

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(10) <https://www.synthesis-center.org/>.

(11) <https://www.c4e.org.cy/index.php>.

(12) <https://www.euc.ac.cy/en/school-of-business-administration/research>.

on environmental issues and has succeeded in creating an extensive network of collaborators and volunteers for raising environmental awareness and promoting sustainable development. It runs “Tiganokinisi,” a social entrepreneurship activity, which collects used cooking oils and transforms it into biodiesel. The programme’s revenues provide resources for environmental education actions and support for environmental infrastructure for schools and students throughout Cyprus.<sup>13</sup>

### 4.5.3. Incubators/co-working spaces

- > Hub Nicosia is a co-working and educational centre. Its vision is to eventually become a social enterprise incubator and focal point for social entrepreneurship on the island. It currently offers co-working facilities to social enterprises, NGOs and freelancers.<sup>14</sup>
- > Future Worlds Center (FWC) is an innovative NPO for social entrepreneurs, which aspires to harness the power of emerging technologies and the science of structured democratic dialogue to accelerate positive social change. As FWC mission statement indicates, “FWC is an incubator of social entrepreneurs designing humane and sustainable futures.”<sup>15</sup>
- > The Centre for Entrepreneurial Development, Alliance and Research (CEDAR) is an initiative led by the University of Central Lancashire in Cyprus (UCLan). It is the first interdisciplinary and pioneering not-for-profit centre for entrepreneurship in Cyprus. Its mission is to act as a catalyst for entrepreneurial development by building synergies between different areas of expertise in education, training, research, outreach and policy. It builds cooperation with the entrepreneurial economy of Cyprus and beyond. Panorama of Social Enterprise and Ideodromio are two of CEDAR’s various entrepreneurship initiatives. The first aims to showcase programmes and schemes operating in Cyprus and Europe geared to support social entrepreneurship and its impact in modern societies. And the latter aims to embed entrepreneurial spirit in young aspiring students (see below for more details).<sup>16</sup>
- > The Interdisciplinary Centre for Law, Alternative and Innovative Methods (ICLAIM) is an interdisciplinary not-for-profit centre, which closely works with UCLan Cyprus on, amongst other things, responsible research, innovation and enterprise in the aforementioned fields through educational training, vocational training, engagement with the legal profession, industry and the public, social entrepreneurship and services to the community.<sup>17</sup>

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(13) <http://www.akti.org.cy/portfolio/tiganokinisi/>.

(14) <http://www.hubnicosia.org/>.

(15) <http://www.futureworldscenter.org/>.

(16) <https://www.uclancyprus.ac.cy/wp-content/uploads/2018/06/Prospectus2018-2019.pdf>.

(17) Ibid.

- > The Center for the Advancement of Research & Development in Educational Technology (CARDET) is an independent, non-profit, non-governmental research and development organisation. Besides a training and education centre, CARDET contributes to the development of numerous innovative ideas and start-ups. One of its main objectives is to inspire innovation, entrepreneurship, leadership and social change. CARDET has also recently implemented a number of European projects in the social entrepreneurship sector.<sup>18</sup>

#### 4.5.4. Prizes and awards

Digital Championship is a competition that has been operational in Cyprus since 2013. The competition is co-organised by Stelios Himonas, himself a Cyprus Digital Champion, the Ministry of Education and Culture, the Research Promotion Foundation, the Ministry of Energy, Commerce, Industry and Tourism, and the Representation of the European Commission in Cyprus. A special award is presented to the best social entrepreneurship proposal.

The Ideodromio competition was first held in 2017–2018. It is organised by the Cyprus Pedagogical Institute in cooperation with the Departments of Secondary General and Secondary Technical and Vocational Education, the CEDAR Entrepreneurship Center and UCLan. Ideodromio promotes student entrepreneurship through the creative, innovative thinking and skills development of secondary school pupils in Cypriot high schools, lyceums and technical schools. Actions such as training sessions, a workshop and an additional competition on Concept Creativity, Innovation and Ideas are presented within the programme's framework. Two prizes are given for the best business ideas, the Innovative Business Idea Award and the Prize for Social and Green Entrepreneurship.

In 2016–2017 the Centre for Entrepreneurial Development and the Alliance Research (CEDAR) in cooperation with UCLan Cyprus launched the Business Idea Competition, which included a social enterprising award.

#### 4.5.5. Knowledge exchange and facilitation

Cypriot organisations initiate or participate in a number of European projects funded by the EU (Erasmus, Interreg, and others), which promote knowledge exchange, develop capacity building, and enhance the sustainability of social enterprises with positive results. Such examples include:

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(18) <https://www.cardet.org/who-we-are/about>.

- > INNOVENTER run by the Cyprus Chamber of Commerce and Industry (CCCI) in Cyprus. The programme establishes vocationally oriented social entrepreneurship training for SMEs so that they can innovate themselves, whilst engaging disadvantaged people as employees.<sup>19</sup>
- > The MYNNOVA project which offers young social innovators and entrepreneurs flexible and freely accessible mentoring support. The service is provided by specially trained youth workers, other entrepreneurs and experienced professionals who are happy to share their time and knowledge. The platform also provides access to information on the state of the art for social entrepreneurship in all of the project's partner countries (Bulgaria, Cyprus, Germany, Romania and Slovenia) and examples of existing inspirational social entrepreneurial practices.<sup>20</sup>
- > Social Entrepreneurship Support Europe which aims to improve the entrepreneurial competence within human resources departments of social enterprises, increase the knowledge and skills necessary to establish and manage social entrepreneurship entities and delivery tools for entrepreneurial competences development.<sup>21</sup>
- > WomenPRO which aims to enhance and promote a social entrepreneurial spirit among young women living in rural and remote areas of Cyprus, amongst other countries, by raising awareness and providing them with an integral training course tailored to their specific needs.<sup>22</sup>

## 4.6. Financing

As Cyprus' social enterprise sector is at an embryonic developmental stage, no data is available that permits analysis of the financial demands *de facto* social enterprises may have for operational costs or investments. Due to their lack of recognition as a separate legal entity and absence of an appropriate legislative framework, social enterprises cannot access business support services provided by the general finance/banking system. Banks are reluctant to offer products and services to enterprises if they cannot effectively assess their compliance and any financial risk; schemes with preferential interest rates that are offered to SMEs as recognised entities are not available to social enterprises, which is one of the major hurdles in their development. Social entrepreneurs commonly provide personal collateral to overcome this difficulty in securing loans (Isaias and Kaufmann 2011).

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(19) <https://innoventer.eu/>.

(20) <https://euromentor.eu/>.

(21) <https://www.ses-project.eu/en/>.

(22) <https://www.eurosc.eu/en/>.

No specialised financial instrument currently exists for Cypriot social enterprises. As the majority of banks are not fully aware of the social enterprise concept and role, they have not developed any specific financial support schemes for the sector. The NAP includes the following support measures to assist the access of social enterprises to financing, which are expected to be implemented in 2019:

- > The establishment of a start-up funding scheme—priority access to micro-loans up to a maximum of 25,000 EUR with a favourable interest rate will be given to legal entities that have completed two years of operation. The indicative budget for this action is 500,000 EUR, of which 50% will come from the state and the remaining 50% from European initiatives or the credit institution's funds.
- > The sponsorship of a study to identify financial instruments available at an EU level (through the European Investment Bank Group and/or competitive programmes) that can be employed to support social enterprises and/or channelled through intermediary financial institutions.
- > A study on the use of alternative financial instruments (e.g., social entrepreneurship bonds, equity funds and social impact bonds).

# 5

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## PERSPECTIVES

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The development of a sustainable Cypriot social enterprise ecosystem largely depends on its comprehensive legal framework being established and all of the NAP's initiatives being subsequently implemented. Currently, only a limited number of stakeholders are active in the sector's development and ongoing disparity exists between their views: one group considers social enterprises as conventional enterprises with institutionalised, corporate social responsibility and another prioritises social aims over profit maximisation, clearly distinguishing social enterprises from conventional enterprises.

Prominent factors that constrain the sector's development include: the lack of a legal framework; low-level public awareness and understanding; the inconsistent application of policies by competent governmental units and trained personnel; and conventional enterprises contrary to the emergence of a strong social enterprise ecosystem.

Nonetheless, the Cypriot social enterprise sector is in evolution and will likely gain further momentum once the legal framework has been established.



## 5.1. Overview of the social enterprise debate at the national level

Despite steps being made towards greater recognition and sectorial development in Cyprus, social enterprises still face significant challenges. Although the government is developing a specific legal framework and NAP for the sector, serious and prolonged delays continue to impede their implementation. The promise of a sustainable social enterprise ecosystem is hindered as a result. For instance, the original 6 EUR million, which was announced as support for social enterprises start-ups in 2013, was reduced to 3.1 EUR million in the 2018 approved NAP.

The lack of a national network that could discuss and agree coordinated actions to potentially influence policymakers, the scarcity of resources, an increasingly competitive environment and recent economic recession do not allow social enterprises to drive public debate or actively lobby for their sector's development.

Moreover, the conceptual and operational shift of philanthropic entities integrating commercial activities into their provision to improve their financial sustainability is not interpreted positively by conventional enterprises.

The current debate is led by a small number of stakeholders and people committed to the sector's development. However, even these discussions only happen sporadically within the broad framework of conferences and are not driven by social enterprises themselves. The ongoing discussion is focused and limited to the nature of social enterprises and their legal recognition as well as governmental support for social enterprise development. Within the framework of the above discussions, the observation that NPOs often pay excessive salaries to their directors or founders was upheld by stakeholders, who suggested a limit should be established between low and high salaries in a ratio ranging from 1:4 to 1:7.

Different opinions were expressed in relation to the operational approach of social enterprises. **Some stakeholders, who perceive social enterprises as conventional enterprises with institutionalised corporate social responsibility (CSR) activities, advocate for the “commercial/business” aspect of social enterprises.** In their opinion, social enterprises should prioritise the entrepreneurial dimension over the social dimension. Those advocating this view fear that too many legal constraints could hamper the sector's development.

Conversely, other stakeholders emphasise the need to prioritise the social aim over profit maximisation with a view to clearly distinguishing social enterprises from conventional enterprises. According to their perspective, social enterprises should generate social impact and economic activities should only be instrumental in pursuing their social

aim. Whether proponents of commercially or socially focused entities, neither group of stakeholders referred to the democratic governance of social enterprises nor the provision of an asset lock framework.

## 5.2. Constraining factors and opportunities

Individuals who attempt to set-up social enterprises face several challenges. A survey was carried out within the framework of this report with experts, practitioners and policymakers to reflect on current conditions and initiate discussion on practical solutions for further development of the area. One key conclusion drawn from this survey identifies the state as a catalyst for the sector's development. The success or failure of the development of a social enterprise-biased ecosystem is placed on the government and its forthcoming legislation in particular.

Opinion suggests that a key constraining factor is the lack of public understanding or awareness of what a social enterprise is and how it can contribute to societal wellbeing. Moreover, respondents indicated that existing social enterprises types are not equally recognised. The lack of a specific legal framework is perceived as an additional constraining factor. Indeed, a specific regulatory framework is considered the main way to facilitate the development of social enterprises. The absence of funding and specialised support are regarded as additional barriers to social enterprise development.

At a policy level, the lack of both a specific governmental unit that can implement social enterprise policies and trained public officials **on procurement laws are considered to slow down the emergence of a supportive ecosystem**. Conventional enterprises can also delay this emergence, especially the facilitation of social enterprise access to public procurement; the commercial sector has the lobbying power to impede implementation, inhibiting social enterprise development and sustainability.

**Stakeholders consider that social enterprises should be fundamentally home-grown**, like all early-stage investment activity. On the one hand, the new social enterprise status, as envisaged in the draft law, is considered a potentially imbalanced system that may unintentionally favour well-educated entrepreneurs over aspiring social entrepreneurs. The former group's capacity to submit innovative, well-written proposals from within a strong network is perceived as a possible threat to those who have less experience and networking skills. It is feared that established entrepreneurs will command the new situation and dominate funding opportunities. On the other hand, well-educated entrepreneurs could play a crucial role in modifying and accelerating an acceptance of social enterprises and the sector's related legal framework.

Furthermore, **light was shed on the need to promote educational programmes on social entrepreneurship** and a range of training sessions and capacity building development programmes tailored to social enterprises. Current training schemes, which may seem abundant, focus more on general entrepreneurship and do not address the specific needs of social enterprises.

A network that could promote the common interests of social enterprises and lead public discourse is considered important. Similarly, **funding and measures that could increase the competitiveness of social enterprises are deemed essential** for their viability and sustainability.

**The absence of research and data on Cypriot social enterprises has also been identified as a limiting factor.**

But an opportunity to resolve many of these issues is within sight as measures have already been proposed that would address most of them in the NAP and draft law.

### 5.3. Trends and future challenges

The following key observations may affect the sector's development and/or the direction it takes in Cyprus:

- > **The term “social enterprise” is generally unknown** and rarely used in the country.
- > **In the Greek language, a single word is used for both “enterprise” and “business”— *επιχείρηση*.** Therefore, the language cannot distinguish between the terms “social enterprise” and “social business”. Similarly, no distinction exists between the terms “non-profit” and “not-for-profit” in the Greek language.
- > **The term “enterprise” is not perceived positively in Cypriot society.** Previous studies (e.g., Eurobarometer 2008) show a negative perception towards entrepreneurs and entrepreneurship in general; thus, many people would like to avoid labelling their activities as social enterprises and prefer to place their activities under the “non-profit” label.
- > Social enterprises in the form of associations and foundations prefer to use the informal label of “non-profit organisation” to promote their activities and often do not refer to themselves as social enterprises. Indeed, the term “social enterprise” is rarely used in their communication with the public. The term “non-profit” (or “not-for-profit”) is closely associated with volunteering and equated with philanthropy; therefore, “non-profit” is capable of generating more empathy from Cypriot society than the term “social enterprise”. Associations and foundations occasionally identify

themselves as social enterprises. This happens sporadically when they wish to be included within the framework of European projects under the general theme of social entrepreneurship. However, when it comes to direct, public visibility, these entities prefer to identify themselves as NPOs rather than as social enterprises.

- > Cooperative managers often advocate that cooperatives are social enterprises.
- > Conventional enterprises engaged in social service provision or education and training activities, especially for disadvantaged groups, sometimes identify themselves as “social enterprises” or “social companies”.

The Cypriot social enterprise sector is in evolution. Its trend towards socially-oriented businesses will likely gain further momentum over the next decade. Businesses that combine social or environmental goals, an economic activity and transparency criteria are expected to become the “social businesses of tomorrow” and fill the gap or absence of today’s social enterprise sector, particularly if the government does not actively engage in the sector’s development.<sup>23</sup>

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(23) Several EU funded projects that present social enterprises as conventional companies with an increased component of social responsibility, especially those focusing on young people, vulnerable groups or SMEs (such as those mentioned in section 4.5.5.), contradict the EU operational definition of social enterprise. An example of one such project is the Innoventer which also promotes profit-making ventures as social enterprises.

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APPENDICES

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## Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of “social enterprises” based on the Social Business Initiative (SBI) promoted by the European Commission.<sup>24</sup>

Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Entrepreneurial/ economic dimension</b>	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the <b>typical characteristics that are shared by all enterprises</b> .	<ul style="list-style-type: none"> <li>&gt; Whether the organisation is or is not incorporated (it is included in specific registers).</li> <li>&gt; Whether the organisation is or is not autonomous (it is or is not controlled by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial).</li> <li>&gt; Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers.</li> <li>&gt; Whether there is an established procedure in case of SE bankruptcy.</li> <li>&gt; Incidence of income generated by private demand, public contracting and grants (incidence over total sources of income).</li> <li>&gt; Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider.</li> <li>&gt; Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services.</li> </ul>	SEs must be market-oriented (incidence of trading should be ideally above 25%).	<ul style="list-style-type: none"> <li>&gt; We suggest that attention is paid to the development dynamic of SEs (i.e., SEs at an embryonic stage of development may rely only on volunteers and mainly on grants).</li> </ul>

(24) In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, “**an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities.**”

Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Social dimension (social aim)</b>	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. "Social" shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p>	<ul style="list-style-type: none"> <li>&gt; Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members.</li> <li>&gt; Whether the product/activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions.</li> <li>&gt; Whether SE's action has induced changes in legislation.</li> <li>&gt; Whether the product delivered—while not contributing to fulfilling fundamental rights—contributes to improving societal wellbeing.</li> </ul>	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p>	<ul style="list-style-type: none"> <li>&gt; The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level.</li> <li>&gt; In EU-15 countries (especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g., from educational services to the supply of water).</li> <li>&gt; What is conceived to be of a meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what "public benefit" means in her/his country.</li> </ul>

Main dimension	General definition	Relevant Indicators ( <i>not exhaustive list</i> ) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
<b>Inclusive governance-ownership dimension (social means)</b>	<p>To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance to various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalized in different ways.</p>	<ul style="list-style-type: none"> <li>&gt; Whether SEs are open to the participation and/or involvement of new stakeholders.</li> <li>&gt; Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels that give voice to users and workers in special committees).</li> <li>&gt; Whether a multi-stakeholder ownership structure is imposed by law (e.g., France).</li> <li>&gt; Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to.</li> <li>&gt; Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE).</li> <li>&gt; Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long-term.</li> <li>&gt; Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws.</li> <li>&gt; Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits).</li> </ul>	<p>SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making processes implemented.</p>	<ul style="list-style-type: none"> <li>&gt; Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time—hence giving ground to a multi-stakeholder ownership asset.</li> <li>&gt; SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency.</li> <li>&gt; Different combinations concerning limitations to profit distribution envisaged (e.g., most successful solution: capped dividends supported by total asset lock such as Italian social coops, CIC, SCICs).</li> </ul>

## Appendix 2. Data availability report

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
<b>Associations and foundations</b>	<a href="#">Register Σωματεια</a> Administrative register	Cyprus Ministry of Interior Government institution	2018 Yearly	-	-	N.A.	1 - No data exist that would allow a statistical estimation of the number of SEs. An independent estimate has been performed using the total number of associations and foundations provided by the register.
<b>Cooperatives</b>	<a href="#">Co-operative Companies Service</a> Statistical register & research project	Cyprus National Opendata Portal Government institution	2018 Yearly	-	-	N.A.	1 - No data exist that would allow a statistical estimation of the number of SEs. An independent estimate has been performed using the total number of cooperatives provided by the register.
<b>Private companies limited by guarantee</b>	<a href="#">List of Organisations</a> Statistical register	Cyprus National Opendata Portal Government institution	2018 Monthly	N.A.	N.A.	N.A.	1 - No data exist that would allow a statistical estimation of the number of SEs. An independent estimate has been performed using the total number of private companies by guarantee provided by the register.
<b>Private companies limited by shares</b>	<a href="#">Company Statistics</a> Statistical register	Department of Registrar of Companies and Official Receiver Government institution	2018 Yearly	N.A.	N.A.	N.A.	N.A - No data exist to ascertain the number of SEs from this typology (estimation not possible).

## Appendix 3. Exploratory case studies

### Exploratory case 1

#### PASYKAF

The Pancyprian Association of Cancer Patients and Friends (ΠΑΣΥΚΑΦ)<sup>25</sup> was founded in 1986 by volunteers and ex-cancer patients to provide support services to cancer patients and raise public awareness on related matters. The association's initial scope has since been expanded to include additional support services, including home care for cancer patients, socio-psychological support services and free transportation to and from medical centres. All of the above services are provided for free and are funded by donations and charity events.

In 2013 PASYKAF launched a clothing recycling programme. The idea was initiated for two reasons: 1) the association needed to generate a source of income; and 2) clothing and shoes unsold in stores or used and no longer wanted are known to create waste that can be minimised. The pilot phase was successful. Over the years, the amount of donated items kept growing, which created the need for a second phase—the association decided to invest in recycling. As a result, PASYKAF now collaborates with a foreign company and, under its guidance, operates a clothing recycling programme. The programme was piloted in 2013 with 30 recycling bins; as of 2018, approximately 400 recycling bins were located across Cyprus, showcasing the amazing growth of PASYKAF's recycling initiative.

PASYKAF's recycling process begins with weekly clothing collections performed by paid truck drivers. The clothing is then transferred to PASYKAF's warehouse where paid employees and volunteers sort the clothing into different categories. Some of the clothes are either donated to the families of cancer patients in need or sold at low prices in the association's charity shops. The remaining items are exported abroad for recycling.

All of the income generated from PASYKAF's economic activities is used for funding free services for cancer patients. From 2013 to May 2018, PASYKAF collected, sorted, donated and exported 3,238 tons of clothing. This level of revenue translates as substantial income that partly funds PASYKAF's Post-Treatment Support Center in the village of Moniatis. Although PASYKAF receives a small public grant every year, ongoing donations to its charity shops and clothing recycling programme provide vital support.

The association is governed by a management team, which includes district directors (in Nicosia, Limassol and Larnaca), the director-general (chief executive) and the

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(25) <https://pasykaf.org/>.

board of directors. Its primary governance model has not changed over time but has been enriched by evolving services. PASYKAF's business model is based on donations/fundraising. Its budget amounts to around 3 EUR million, a significant amount of which derives from the association's recycling service.

The recruitment of new volunteers has been one of PASYKAF's main obstacles; however, raising public awareness about the association's mission helped to successfully overcome this challenge. Financial sustainability has been another challenge, particularly since the 2013 financial crisis; the lack of state support and supportive structures has been another main barrier for PASYKAF. This led the organisation to take initiative and expand their services in areas other than primary care for cancer patients, gearing towards services such as clothing recycling that could contribute, sustain and maintain their original mission.

PASYKAF's key partners/sponsors include several local and national conventional enterprises that financially contribute to its mission. PASYKAF has not entered into any contractual agreements with public agencies nor does it enjoy any fiscal breaks or privileges. Its estimated turnover of approximately 3 EUR million, generated through economic activities, donations and voluntary work, is entirely reinvested into the wellbeing and treatment of its beneficiaries.

PASYKAF has never asked for loans from any financial intermediaries, be it from traditional banks or any other dedicated financial institution. It has always solely relied upon people's help, making PASYKAF still reliant on "traditional fundraising" to this day.

The organisation does not consider itself a social enterprise. According to the director of its charity shops and clothing recycling programme, PASYKAF should "not be considered a social enterprise, since its economic activities are a necessity for the financial support of all services the association provides towards its beneficiaries (i.e., cancer patients)."

## Exploratory case 2

### Agia Skepi

Agia Skepi is a therapeutic community registered as a foundation that supports long-term substance abusers and their families.<sup>26</sup> The foundation, which was founded in 1999, is located on the outskirts of Nicosia in 50 acres of land owned by local church organisation the Holy Abbey of Machaira. It is financially supported by the Association of Friends of Agia Skepi to help people with long-term substance abuse issues lead a life free of drug and alcohol use.

Vocational therapy and reintegration into society through meaningful employment is a key part of Agia Skepi's therapeutic programme. Members of the community have been farming the land and producing a range of organic products such as fruit, vegetables, dairy products, eggs and bread since 2011. Although Agia Skepi produces substantial amounts, demand is often greater than supply. Therefore, Agia Skepi also imports dry food that is packaged by members of the community. Its products are sold commercially under the brand name Agia Skepi Bio through major supermarket chains operating in Nicosia and Limassol. Organic farming and rehabilitation share certain core values, including: sustainable and environmentally friendly development; reward through labour and perseverance; respect for nature and the environment; and taking pride in hard work and individual accomplishments.

Agia Skepi's legal status as a foundation pre-dates its current economic activities. However, no conflict exists between Agia Skepi's new economic activities and its overall mission, as agricultural work functions as a therapeutic tool for substance abusers enrolled in the programme. Agia Skepi's economic activities serve the therapeutic community first and foremost. Its dependency upon charitable donations or public grants has greatly decreased. Although it still requires public grants for the successful implementation of its rehabilitation programme, Agia Skepi aspires to become self-sufficient through its economic activity within organic food production in the near future. Economic activity upgrades the rehabilitation programme's offering, providing the centre's clients with the necessary skill set for social reintegration and helping them develop the autonomy to re-enter society as active, contributing members.

The initiative has led to new jobs for those who have been successfully rehabilitated. For example, several people now work at bakeries and restaurants due to the accumulated experience and qualifications they gained through the therapeutic community process. Given that most undertaking the programme have never worked before, daily organic farming, packaging and bread baking activities contribute greatly to preparing members of the community for employment. The therapeutic community currently consists of

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(26) The organisation's legal name in the Cypriot government's registry of foundations is the Foundation of Therapeutic Community Agia Skepi. See: <http://agiaskepi.com/index.html>.

13 former users, who have completed the programme and now work as regular Agia Skepi Bio employees, and approximately 35 people who participate in the programme and serve as volunteers; the latter number often changes over time as it depends on admissions. Since stability and regularity are seminal characteristics of the therapeutic programme, external volunteers are rarely included in community activities. Agia Skepi's staff numbers 37 regular and part-time employees, half of whom are former community members.

Agia Skepi's governance model follows that of "traditional" NPOs: its board of directors do not deal with the organisation's day-to-day activities but is responsible for overseeing the foundation; a management team handles the community's daily tasks and is responsible for updating the board of directors on administrative issues; and it has some regular partners. Despite receiving financial aid from and closely collaborating with the Cyprus Ministry of Health and National Addictions Authority, the management team does not wish to cede managerial control to external collaborators and/or stakeholders.

Agia Skepi has never applied for a loan to support its economic activities. Agia Skepi Bio initially required large investment capital, but the foundation implemented its action plan step-by-step, ensuring that the initiative itself was viable and successful enough to finance each next step. A lack of certain skills, namely any prior experience or training in farming, presented an additional challenge for community members and personnel. Despite often making mistakes due to inexperience, a proactive attitude has helped them overcome obstacles, mainly through self-education and learning "on the job".

During Agia Skepi Bio's first years of operation, the community had to face a lot of negative reactions. A number of people and conventional businesses opposed the initiative. They felt threatened by the broad scope of the community's products and filed a formal complaint against Agia Skepi, claiming that the organisation's economic activities constituted unfair competition. Furthermore, they accused the foundation of taking advantage of its members, since they were not being paid for their labour. In retaliation, Agia Skepi argued that its members did not pay for their therapeutic treatment, which would otherwise cost much more than an average monthly salary. As complaints have since ceased, it would appear that these obstacles have been overcome.

Agia Skepi's key economic partner is a conventional enterprise. The partnership is bilaterally profitable: the parties can jointly set better prices and receive larger orders. The conventional enterprise buys all of its farming products from Agia Skepi.

Agia Skepi plays a crucial role in Cyprus's National Strategy on Illicit Substances Dependence and the Harmful Use of Alcohol, which is operational from 2013 to 2020. As a result, the foundation receives several public grants for which it is externally audited and deemed accountable. For reasons of transparency, its economic activities

are differentiated from therapeutic expenses, clearly proving that the grant has been spent on therapeutic expenses. Overall, its budget for therapeutic expenses amounts to about 800,000 EUR and its revenue from economic activities is about 180,000 EUR.

Agia Skepi does not rely on public financing or use any innovative social financing instruments. It has tried to implement some participative finance tools such as crowdfunding, but the results were not encouraging. For now, Agia Skepi continues to be financially supported through the Association of Friends of Agia Skepi, an association that undertakes its fundraising initiatives and actions.

Agia Skepi considers itself a social enterprise to the extent that its mission is first and foremost a social mission. Its economic activity supports its social mission, since all revenue is reinvested in social causes.

### **Exploratory case 3**

#### **Anakyklos**

Anakyklos is a private company limited by guarantee that was established in 2010 to actively encourage a clean, healthy and sustainable environment through research, economic activity and social intervention. Its main economic activity centres around textile collection and recycling. The company helps reduce landfill waste by collecting and recycling used clothes, shoes, linen, kitchenware, toys, books and other items. Up until 2017 Anakyklos also gave used items to those who could not afford new clothes and processed textiles that could not be reused into cleaning cloths, fibres, insulation and other materials.

In 2010 Anakyklos initiated a network of charitable organisations to collect clothing and facilitated a considerable number of workshops on the importance of appropriate recycling. Since its beginning, Anakyklos' vision has been the creation of a viable social enterprise. Its goal is waste reduction and job creation. Most people employed by Anakyklos were previously unemployed; their employment contributes towards the drive for more "green jobs".

Up until 2017 Anakyklos served the entire island with its 550 clothing recycling containers in 20 municipalities and 110 communities and collected clothes from 400 charities. Through this collaboration, a significant number of community projects such as public libraries and parks benefited from the process: about 203,000 EUR was donated back to Anakyklos' network of organisations and tens of thousands of clothing items were donated to the poor. Any surplus income that Anakyklos generated was used to support social and environmental activities and the company's projects or those of other organisations.

By the end of 2017, Anakyklos began facing serious financial problems, as more charitable organisations became active in the clothing recycling sector. Unlike other organisations that often depend on voluntary work, Anakyklos had regular employees and, by extension, higher costs to cover, which created problems for the company's economic viability. As a result, Anakyklos decided to sell its textile collection services to an external company. Anakyklos Textiles Ltd. now owns the clothing recycling containers, collects textiles and employs truck drivers, whereas Anakyklos Perivallontiki owns the remaining two shops and offers environmental services. The company currently employs 15 workers. It maintains its non-profit characteristics and its initial environmental aims.

The organisation believes that Cyprus' lack of social enterprise legislation was the institutional barrier that led to the deterioration of its economic activities; no protective mechanisms are in place to shield social enterprises from unfair competition. For Anakyklos, the proposed legislation's implementation is extremely important for the consolidation of Cypriot social enterprises. Anakyklos eagerly anticipates the above mentioned law, as it believes it will provide access to public contracts, start-up funds and support structures, and protect organisations from unfair competition, all of which appear necessary for the sustainability of social enterprises in general.

Its governing body includes positions similar to a conventional enterprise: CEO, personal assistant, operations manager and public relations manager. No other stakeholders are engaged in its governance. Prior to 2017 no conventional company was operational behind Anakyklos' clothing recycling programme; the sale of its clothing collection unit to an external company was made public knowledge.

From its inception, Anakyklos has followed the social enterprise business model; all of its economic activities address societal needs, have social impact and all of its revenue is returned to its social mission. Anakyklos considers itself a social enterprise and believes that social enterprises should be distinguished from charitable and non-governmental organisations.

## Exploratory case 4

### Nicosia Dog Shelter

Founded 35 years ago, the Nicosia Dog Shelter is a private company limited by guarantee. Located in the UN-controlled area of Nicosia airport, it provides care and temporary shelter for stray and abandoned dogs; around 80 dogs are currently housed on its premises. The shelter also educates the general public on basic animal welfare and care, and manages two secondhand shops in Larnaca and Nicosia, which contribute significantly to the organisation's financial operation. Seven members and about 10 volunteers are currently responsible for the shelter's daily onsite activities and manage all of the company's other activities, including fundraising events, adoption procedures, facilitation of workshops in schools and the overall management of the shelter and its charity shops. At the time of writing, it is in the process of hiring a manager to supervise its entire range of existing activities.

The shelter has recently widened its fields of engagement by initiating new economic activities. Its two secondhand shops have been in operation from three to five years and are largely managed by volunteers. The stores sell a wide range of products such as jewellery, books, boardgames, clothes and kitchenware. Goods are also sold through various other channels such as fundraising and/or awareness raising events to help financially support the shelter. The revenue from sales goes directly to the shelter's activities, some of which is used to cover veterinary expenses that vary widely depending on the treatment necessary and number of animals in need. Although the shelter receives a modest amount of governmental aid, its activities are mainly supported by income generated from its two secondhand shops and fundraising activities.

In terms of governance, the shelter has two directors that supervise its overall operations and members who administer its activities. General meetings are conducted frequently as they help members of the shelter to better coordinate their activities and reach consensual decisions regarding acute animal welfare issues. No other stakeholders are engaged in the organisation's membership and governing bodies. A clear division of labour is upheld amongst the shelter's volunteers: different people are appointed to manage finances, operations, fundraising events, dog adoptions, etc.

The shelter currently faces several challenges, mostly stemming from financial difficulties. The standard fee to adopt a dog does not necessarily include all of the costs for its veterinary care and, as a result, the organisation has to balance the desire to help as many dogs as possible against the need to run profitably enough to keep its doors open. The number of new dogs the shelter can accept depends on its monthly budget; if no adoptions take place, no new dogs can be received by the shelter.

Limited governmental aid—about 3,500 EUR per year—compounds this issue as it fails to cover the monthly expenses incurred through animal certification alone. The shelter

has to pay for each animal's health certificate before it can be sent abroad. The state fee for issuing these certificates costs about 300,000 EUR per year. As the shelter receives no fiscal benefits or allowances, it considers that the government impedes rather than assists its social mission.

The Nicosia dog shelter considers itself a social enterprise to the extent that its economic activities improve animal wellbeing and raise public awareness. It believes that the foreseen legislation on social enterprises in Cyprus could strengthen its economic activities and future sustainability.

## Appendix 4. Reference list

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## Appendix 5. List of stakeholders engaged at national level

The set of 21 Country Reports updated in 2018 and 2019 included a “stakeholders engagement strategy” to ensure that key input from national stakeholders was incorporated. Four categories of stakeholders were set up: academic (ACA), policymaker (POL), practitioner (PRAC) and supporter (SUP). The stakeholders’ engagement strategy followed a structured approach consisting of a questionnaire, one or two stakeholders’ meeting (depending on the country) and one core follow-up group. Such structure enabled a sustained, diverse and committed participation of stakeholders throughout the mapping update process. The full names, organisations and positions of key stakeholders who accepted to have their names published are included in the table below.

Full name	Organisation	Role	Stakeholder category
<b>Roulla Georgopoulou</b>	Head	Multipurpose Nicosia Municipal Center	PRAC
<b>Nicos Souleles</b>	Associate professor	CUT	ACA
<b>Doros Michael</b>	Director	Anakyklos	PRAC
<b>Charalambos Vrasidas</b>	Executive director	Cardet	PRAC
<b>Marina Georgiadou</b>	Occupational therapist	Mental Health Services	POL
<b>Demetris Lambrianides</b>	President	Organisation Paraplegic Cyprus	PRAC
<b>Demos Ioannou</b>	Director	SPAVO	PRAC
<b>Alexandros Alexandrou</b>	Director	Department of Labour	POL
<b>Constantinos Georgiou</b>	Inspector of Secondary and Vocational Education	Ministry of Education	POL
<b>Elias Mallis</b>	Senior economic officer	Ministry of Finance	POL
<b>Michael Loizides</b>	Member of board of directors	AKTI	PRAC
<b>Savvas Hatzixenofontos</b>	Director	Fornelia Ltd.	PRAC
<b>Demetra Palaonda</b>	Senior officer	CCCI	PRAC
<b>Natasa Ioannou</b>	Project coordinator	NGO Support Center	PRAC

Full name	Organisation	Role	Stakeholder category
<b>Ninetta Kazantzi</b>	President	National Network Against Poverty	PRAC
<b>Filios Savvides</b>	Member of the board	Youth Training and Employment Foundation	PRAC
<b>Charalambos Theopemptou</b>	Member of parliament	Movement of Ecologists	POL
<b>Michalis Michael</b>	Director	S.A. at Home Support and Care Services	PRAC
<b>Sophia Arnaouti</b>	Scientific researcher	Migrant Information Center	PRAC
<b>Golfo Kateva</b>	Member of the board	The Hub Nicosia	PRAC
<b>Charis Papadopoulos</b>	Administrative member	Agia Skepi, therapeutic community	PRAC
<b>Christophoros Markides</b>	Productivity officer	Ministry of Labour, Welfare and Social Insurance	POL
<b>Marcia Trillidou</b>	Scientific officer	Research Promotion Foundation	POL
<b>Kalypso Sepou</b>	Head, Strategic Planning Unit	Research Promotion Foundation	POL
<b>Elizabeth Kapakioti</b>	Member of the board	Recycle Relief	PRAC
<b>Marinos Sakkou</b>	Head of recycling services and charity shops	Cyprus Association of Cancer Patients and Friends (PASYKAF)	PRAC

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