

## EMPOWER - Social Enterprises' Sustainability Tools

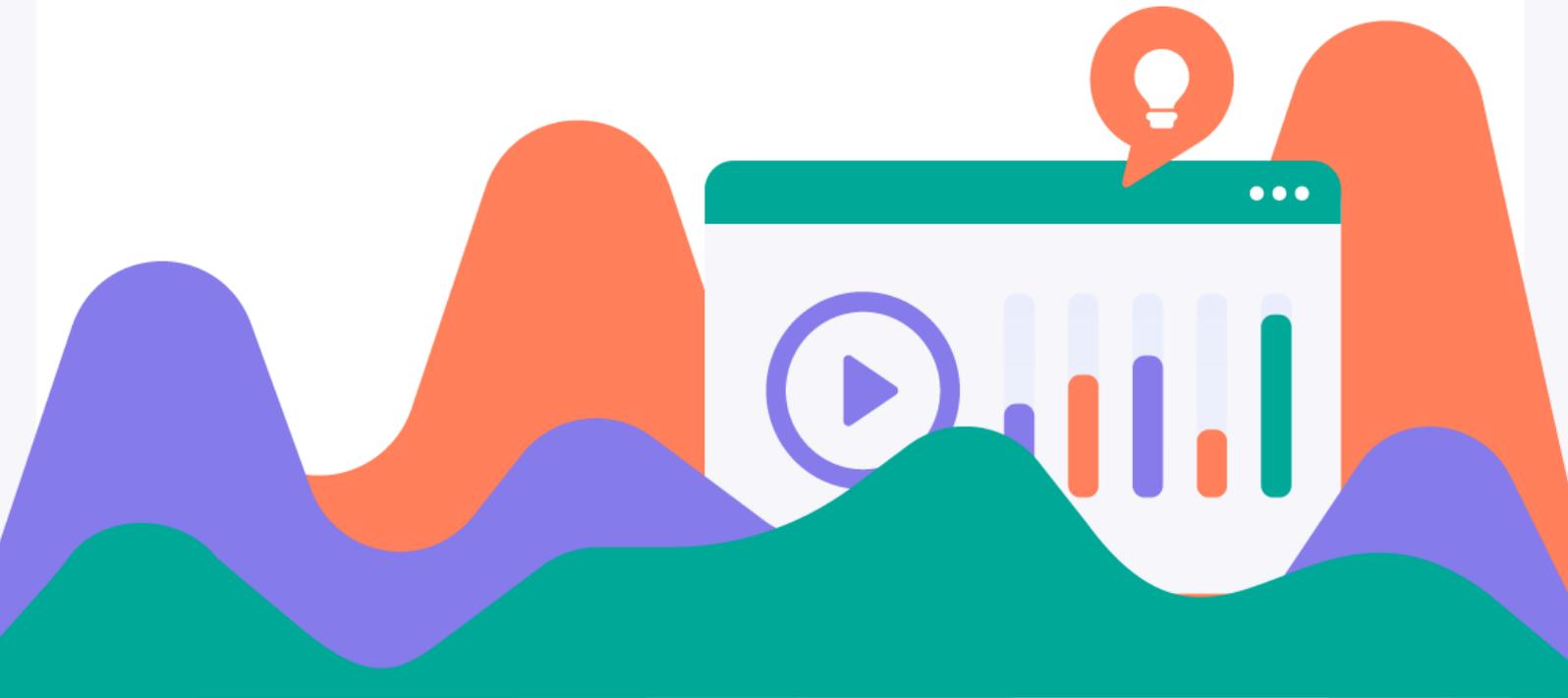
### Project Result 1

### Training Package for Sustainability in Social Enterprises

### COMPENDIUM

CYPRUS

Developed by CARDET



Co-Funded by  
the Erasmus+ Programme of  
the European Union

This project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein. Project Number: 2021-1-BG01-KA220-YOU-000029024

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## Project Information

**Key Action 2:** KA220-YOU - Cooperation partnerships in youth

**Project number:** 2021-1-BG01-KA220-YOU-000029024

**Period of the project implementation:** 02/01/2022 - 02/01/2024 (2 Years)

**Total budget:** 268,665,00 €

**Consortium:** BRCCI (BG); SERN (IT); KMOP(GR); Future in Perspective Ltd (IE); CARDET (CY); Innovade LI (CY); MINDSHIFT Talent (PT).

## Introduction

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, foundations, and the corporative sector as the other two drivers played vital roles in providing services for the well-being of vulnerable and socially excluded groups.

## Legal Framework

Cyprus **does not have an integral legal framework for social enterprises** yet. Although the law entitled ‘Law for the development and maintenance of a Registry for Social Enterprises’ (2019) **has been approved by the Parliament of Cyprus in December 2020** (Social Enterprises law, 2020), some specific criteria outlined in the law have been modified, and the Cyprus House of Parliament needs further approval.

Once the legislative and operational framework has been established, several entities (including companies limited by shares) may choose to conform to the criteria outlined in the law and register as social enterprises. To that aim, it is noted that dedicated Cypriot authority for matters including social enterprises registration is the “ [Service authority for Cooperative Enterprises](#)”.

### Main characteristics of the law (Social Enterprises law, 2020)

The current law’s main characteristics are displayed below, which may be subject to change before being finally 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 law:

The purpose of this Law is to [allow] enterprises, except for 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 can 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 refers explicitly 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 meets 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 legal entities must fulfil 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 achieving a social mission with a workforce of 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 business activity.
- It is registered in a public system/database for social enterprises.
- It invests at least 70% of generated profits in promoting its social mission. It applies pre-defined procedures and rules regarding the distribution of remaining profits to members, shareholders, and owners to ensure economic viability.
- It is managed in an entrepreneurial, responsible and transparent manner, particularly with the participation of members and/or employees and/or customers and/or other interested parties affected by its business activities and is not 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 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 are not state business.

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

Interestingly, the law also explicitly refers to the eligibility of organisations registered under the Companies 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.

## Strategic Framework

Cyprus does not have a distinctly legal framework in place for social enterprises. No publicly funded support schemes in Cyprus are specifically designed for social enterprises yet. However, several other schemes and programs are already in place that could benefit future social enterprises.

## Support measures specifically addressed to social innovation

As previously mentioned, no public support schemes currently exist in Cyprus or specifically target social enterprises. However, STRATEGIC pillar 4 - KNOWLEDGE TRANSFER & COMMERCIAL EXPLOITATION within the Cyprus CYRI Strategy Framework 2019-2023 states as a subcategory the promotion of social innovation and social entrepreneurship can enhance the enterprises and ecosystem's focus on the social impact of their activities, while utilising innovativeness and agility of the business sector to address societal challenges (RIF, 2019).

## Funding (forthcoming)

The plan includes a grant for start-ups and newly registered 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 (European Commission, 2019).

## Good practices

As no legal framework is yet in place for Cypriot social enterprises, no documentation or up-to-date information regarding the scope and range of activities undertaken by associations, foundations and companies by guarantee exists, 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 in personal care services, education and training, the environment, animal protection and waste management.

Table 1. Good practices of Social Enterprises de-facto in Cyprus

Name of the social enterprise	Activity	Contacts
	<p><b>Anakyklos</b> is a private company limited by guarantee 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. Most people employed by Anakyklos were previously unemployed; their employer contributes to the drive for more “green jobs”.</p>	<p>Website   <a href="http://www.anakyklos.org/en/">http://www.anakyklos.org/en/</a></p> <p>YouTube   <a href="https://youtu.be/fIR4c5xmg4">https://youtu.be/fIR4c5xmg4</a></p> <p>Contact Info   <a href="http://www.anakyklos.org/en/contact-us">http://www.anakyklos.org/en/contact-us</a></p>
	<p><b>Agia Skepi</b> is a therapeutic community registered as a foundation that supports long-term substance abusers and their families. 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 on charitable donations or public grants has greatly decreased. Although it still requires public grants to implement its rehabilitation programme successfully, 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.</p>	<p>Website   <a href="https://www.agiaskepi.org/">https://www.agiaskepi.org/</a> <a href="https://www.agiaskepi.com/">https://www.agiaskepi.com/</a></p> <p>YouTube   <a href="https://youtu.be/kMv7-Sx5n40">https://youtu.be/kMv7-Sx5n40</a></p> <p>Contact Info   <a href="mailto:info@agiaskepi.com">info@agiaskepi.com</a></p>

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