

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



"The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein."

Model of social incubation in Cyprus

National report

Project partners:
2019-1-RO01-KA204-063879



FUNDAȚIA DANIS
pentru Dezvoltare Managerială



Centrul pentru
Legislație
Nonprofit

diesis
network



Model of social business incubation for entrepreneurs in Cyprus -2021-

Intellectual Output (IO6) coordinator: CLNR

Partner contributing: SYNTHESIS

"The European Commission's support for the production of this publication does not constitute an endorsement of the contents, which reflect the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein."



Information about partners, funders

The project partners are:



Civitas Foundation for Civil Society Cluj – Romania



MATERAHUB

Consortium of Creative and Cultural Industries – Italy



DIESIS NETWORK – Belgium



SYNTHESIS

Center for Research and Education Ltd – Cyprus



CLNR

Asociația Centrul Pentru Legislație Nonprofit – Romania



FUNDAȚIA DANIS pentru Dezvoltare Managerială – Romania

Table of Contents

Chapter 1. Social business in Cyprus	4
1.1. Social entrepreneurs/ social enterprises/ social business	4
1.2. Social entrepreneurship overview	7
1.3. TENDERS AND PUBLIC CONTRACTS	8
1.4. Challenges and needs	8
Chapter 2. Funds for Social businesses	10
2.1. Funding opportunities	10
2.2. Crowdfunding opportunities	13
2.3. Access to funds for start-up	13
2.4. Access to funds for development	13
Chapter 3. Social incubation pattern	14
3.1. Legal framework	14
3.2. Social incubation methods	15
3.3. Type of social businesses incubated	15
3.4. Geographical coverage	15
3.5. Resources involved	16
3.6. Uncovered needs for incubation	16
3.7. Lessons learned	16
3.8. Challenges	16
Chapter 4. Conclusions	17
Chapter 5. Recommendations	18
References	19
Laws and public policies	19

Chapter 1. Social business in Cyprus

1.1. Social entrepreneurs/ social enterprises/ social business

Social entrepreneurship and social enterprises are relatively new concepts in Cyprus. At the time of writing this report, there was no legal framework, nor formal national definition of social entrepreneurship/social enterprises in Cyprus. Therefore, social enterprises are formed under already existing legal forms, which are not officially being recognized as social enterprises. The forms that are being used to cover social enterprises in Cyprus are usually *Limited liability companies, Cooperatives, and Associations*. These typologies are also covered by the EU operational definition included in Social Business Initiatives (2011).

A law entitled '*Law for the development and maintenance of a Registry for Social Enterprises*', which at the time of writing this report, was a draft bill, aims to regulate the registration of businesses in a Social Enterprises Registry, by specifying the criteria that a natural or legal person must meet in order to register as a social enterprise, and to define the obligations of these social enterprises. The bill was developed in 2017, and the Parliament passed the bill into law in December 2020. The legislation received 50 votes in favour and three abstentions.

The law provides a definition of social enterprises and classifies them in two types: General purpose (GP) and Social inclusion/integration (SI) social enterprises.

Article 3 of the law defines the types of entities and criteria that they should meet to be considered social enterprises:

The purpose of this Law is to [allow] enterprises, with the exception of state-owned enterprises, to register in the Registry 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 includes the typology of entities that could be considered social enterprises and their legal framework:

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, provides a specific definition and status for social enterprises, by classifying them into two types of social enterprises: General Purpose (GP) and Social Inclusion/Integration (SI).

- GP: Entities with a primary purpose is the social mission through the promotion of positive social and/or environmental actions in the interest of society.
- SI: Entities whose primary purpose is the social mission, and they employ, at least 40% of its workforce, persons belonging to vulnerable groups.

The main characteristics of a GP social enterprise are:

- In accordance with its constituent document or other legal establishment, the primary purpose of the mission is to promote the social mission by promoting positive social and/or environmental actions for the best interests of the society.
- Provide services or goods on the basis of a business model; the enterprise is deemed to fulfil this condition if the majority of its income derives from a business activity.
- Compulsory registration to a public system/database for SEs.
- Investments of at least 70% of its profits in order to promote its social mission and achieve its primary purpose and apply pre-defined procedures and rules regarding the distribution of remaining profits to members, shareholders and owners in order to ensure economic viability.
- Managed by 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 not being a State business.

The main characteristics of a SI social enterprise are:

- Employment of at least 40% of the enterprise's workforce of persons belonging to vulnerable groups (as determined from time to time by decree).
- Provision of 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.
- 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 not being a State business.

Since there is no legal framework covering social enterprises currently in Cyprus, the EU operational definition is used, according to which the typologies that would qualify as social enterprises in Cyprus are Limited liability companies, Cooperatives, and Associations. These types of social enterprises are covered by the Companies Law Cap.113, the Cooperative Societies Law Cap. 114 and Law 28 of 1959, and the Law on Associations, Foundations and Clubs, Law 104(I)/2017.

Limited liability companies

There are two types of LLCs:

- A company limited by guarantee without share capital created to reach a shared objective, which often but not always has a charitable or social scope. LLCs are prohibited from distributing profits, which are reinvested for the continuation and achievement of its objectives.
- A company limited by shares: It pursues a social aim and distributes only a limited share of its profits.

Cooperatives

They are organizations that are managed through a democratic process. They allow for a limited distribution of profits to their members. The draft law on social enterprises provides that cooperatives are eligible to obtain social enterprise status.

Associations

Associations have a social mission and are established with a minimum of 20 people to achieve a shared objective. They are not allowed to distribute profits to their members, founders, board of directors or officials.

Foundations

Foundations may obtain assets and/or funds to promote their purpose.

Clubs

In the past, clubs could operate as social enterprises, but after 2017, they were abolished as entities in Cyprus.

Associations and foundations also have a social mission. They also have inclusive governance and a prohibition of profit making (thus profit distribution). However, very few of them generate more than 25% of their income from trading goods and services. They are legally prohibited from implementing commercial activities, even if the introduction of such activities will further support its social purpose.

Cooperatives are market-oriented, thus fulfil the entrepreneurial/economic criterion. They also have democratic participatory process and a limited distribution of profits to their members. However, in the case of Cyprus, very few can meet the social criterion as their main purpose is to serve the interests of their members. It is quite possible that with the new legislation, which makes explicit reference to cooperatives, some of cooperatives will move from mutualistic to have a social orientation.

Private companies limited by shares do have the most difficult task of being classified as social enterprises as the current tax laws do not allow the limited distribution of profits and their social dimension is not regulated. However, some of them do not distribute profits as their income is fully utilized for monthly salaries and operating expenses leaving no profits for distribution.

Clubs do not also fully meet the basic criteria set out in the EU operational definition of social enterprise.

On January 9, 2018, Cyprus developed the Action Plan for the Development of the Social Enterprise Ecosystem (National Action Plan – NAP) which includes measures and incentives for activating or expanding social enterprises in Cyprus, based on best practices from other EU Member States. Accordingly, it provides for grants, loans, access to infrastructure and knowledge, access to public procurement, but also for the creation of a social entrepreneurship culture, and the creation of a favorable business environment. The budget is estimated at EUR 3.1 million, but it depends on the draft law.

1.2. Social entrepreneurship overview

An estimated number of social enterprises by legal type, as of 2017, are (Isaias, 2019):

- Companies limited by guarantee: 100 (Out of a total of 377);
- Companies limited by share: N.A. (Out of total of 217,588);
- Cooperatives: 20 (Out of a total of 92);
- Associations: 50 (Out of a total of 4,679);
- Foundations: 20 (Out of a total of 388).

The estimated total is 190 social enterprises, out of a total of 5,534.

According to the 2011 European Commission organizational definition included in the Social Business Initiative (SBI), “A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities”.

Accordingly, there are three dimensions for an ideal model of social enterprise:

- The social dimension;
- The entrepreneurial dimension;
- The governance dimension.

1.3. Tenders and public contracts

Cyprus' national law *Public Procurement and Related Issues (73(I)2016)* is the basic legislation that covers tenders and public contracts. The law provides the possibility of awarding contracts to organizations 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 organizations, in the case of more than 30% of the employed persons being people with disabilities or from socially excluded groups, after the executive decision of the Council of Ministers.

According to the first axis of the National Action Plan, the NAP provides for the creation of a favorable business environment by the creation of the Legal and Regulatory Framework / Registry, Social Entrepreneurship Committee and Unit, Incubators, Incentives, Access to public procurement.

Also, as the government is reluctant to introduce fiscal benefits even after the approval of the law, there are some measures under consideration related to social enterprises, included in the Cyprus Country Report. These measures are seen as potential incentives for social enterprises:

- Exemption from the EUR 350 fee for private companies;
- Use the Welfare Law that offers Direct Award of contracts, for social enterprises;
- Tax incentives for natural persons who invest in social enterprises;
- Social Enterprise Grant;
- Transitional period for reducing social benefits related to income, for vulnerable persons working for Social Enterprises.

1.4. Challenges and needs

The main challenges for social enterprises in Cyprus at the time of writing the report were the lack of a legal framework and regulations that were still before the parliament; and the lack of specific funds and support for social enterprises.

Other challenges include:

- In the start-up phase, the principal needs are business planning and finding funding opportunities. Also, the bureaucracy and other administrative procedures that cripple the system in Cyprus represent challenges for social enterprises. Business planning can support the starting and/or growing of a social enterprise, while funding opportunities and/or grants can be start-up costs and investments in equipment, technology, or one-time costs that are needed for a business to start.
- In the development phase, there is a need for the development of a marketing strategy; and to maintain self-sustainability and self-efficiency of social businesses. A marketing strategy will support the social enterprise by promoting the company, product and/or service, but sometimes there is little knowledge about how to design and implement one.
- Also, the risk of conflict between the business and social mission of the social businesses is evident. In this case, the risk consists of the drift that may occur between the entity's strategies and its purpose/mission, during its activities.
- Networking is a common need for both phases. Moreover, both consumers and the business community are not familiar with the term Social Enterprise. Incubation needs, such as availability and real collaboration with municipalities and government bodies or administrative and bureaucratic support for the establishment of a social business, due to the lack of legislation, are not covered. Impact measurements, to be self-sustainable, visible, capable to access international markets are some other challenges this sector faces.

Chapter 2. Funds for Social businesses

2.1. Funding opportunities

Given the lack of legal and policy framework for social enterprises in Cyprus, at the time of writing, there is no publicly funded support schemes specifically designed for social enterprises. However, several schemes and programmes have been announced and currently implemented which can have as beneficiaries social enterprises as well.

GRANTS TO STRENGTHEN THE COMPETITIVENESS OF SMES IN THE MANUFACTURING SECTOR

The scheme aims to the support, development, and promotion of the SME's in the Manufacturing Sector and the development of specified Services which support and aid the manufacturing sector via monetary and financial aid for the expansion and modernization of existing and/or the establishment of new viable SMEs.

Beneficiaries: New or existing SMEs of the manufacturing sector (including handicraft units) established or about to be established in government-controlled areas. Beneficiaries do not include units dealing or about to work on the manufacturing of agricultural, animal husbandry or fishery products included eligible costs.

MODERNISATION OF UNITS FOR THE MANUFACTURING AND TRADING OF AGRICULTURAL AND FORESTRY PRODUCTS

The scheme aims to provide incentives for investments targeting the following:

- (a) The development of new products with high value added;
- (b) The improvement of the quality of sanitary conditions and conformity with necessary Standards;
- (c) The utilization of agricultural and forestry raw material and the improvement of the income of the agricultural sector;
- (d) The promotion of traditional and biological products;
- (e) The protection of the environment.

Beneficiaries: Legal or physical persons or SMEs (as described by the recommendation of the EC Commission dated 6.5.2003/361/E).

CYPRUS ENTREPRENEURSHIP FUND (CYPEF)

The Cyprus Entrepreneurship Fund (CYPEF) aims to facilitate access to finance for Small and Medium Enterprises (SMEs - including limited liability companies and cooperatives) through the provision of Financial Risk-Sharing Products and the provision of loans with favorable financing terms. CYPEF is financed through a EUR70 million loan provided by the European Investment Bank

(EIB) to the Republic of Cyprus based on a financing agreement (as amended in May 2017). This amount is supplemented by capital of an equal value, contributed by financial intermediaries / commercial banks participating in the CYPEF program, namely the Bank of Cyprus with a participation of EUR60 million and Ancoria Bank Ltd with a participation of EUR10 million. The Republic of Cyprus also participates with EUR70 million, which means that the total loan portfolio expected to be granted to Cypriot SMEs, throughout the period of application will be at least EUR140 million.

ADVICE FOR SMALL BUSINESSES FACILITY

The Ministry of Energy, Commerce, Industry and Tourism (MECIT), in the effort to promote new measures to strengthen small and medium-sized enterprises (SMEs), has signed an agreement with the European Bank for Reconstruction and Development (EBRD) to manage the implementation of the program "Advice for Small Businesses Facility" in Cyprus, supported by the European Structural and Investment Funds (ESIF). The Program is targeted at Cypriot SMEs operating in areas controlled by the Republic of Cyprus. The aim of the program is to improve the competitiveness and the development of the know-how for the SMEs in Cyprus, mainly through the provision of counselling and training.

COSME

The programme for the Competitiveness of enterprises and SMEs (COSME) aims at encouraging the competitiveness of European enterprises. With small and medium-size enterprises (SMEs), current and potential entrepreneurs and business support organizations as its main targets, the programme provides better access to finance, delivers business support services and promotes entrepreneurship. It largely continues the activities started under the current Competitiveness and Innovation programme (CIP) and also ensures continuity with initiatives and actions already undertaken under the Entrepreneurship and Innovation Programme (EIP), such as the Enterprise Europe Network.

INNOVFIN SME GUARANTEE FACILITY

The InnovFin SME Guarantee is part of the "InnovFin - EU Finance for Innovators" programme which is a joint European Investment Bank (EIB) Group and European Commission (EC) initiative under the programme Horizon 2020. The guarantee offers tailored financing products and advisory services, from SMEs to large corporations.

EUROPEAN FUND FOR STRATEGIC INVESTMENTS (EFSI)

The EFSI is a joint initiative of the European Investment Bank (EIB) Group and the European Commission (EC) to make EUR315 billion new investments by mid-2018, the EIF has made several commitments under the SME Window.

1. SCHEMES FOR SOCIAL ECONOMY/NON-PROFIT ORGANISATIONS

- RESTART 2016-2020 Programme: Any social enterprise may submit proposals, as the RESTART programme includes a specific section on social innovation that supports the development of innovative ideas, products, services and technologies. Also, it promotes good practice models of organization, governance and enhancement, the development of abilities and strategies for meeting societal challenges, and new relationships and collaborations between social partners and other stakeholders.

2. SCHEMES SPECIFICALLY FOR SOCIAL ENTERPRISES

Currently, there are no publicly funded support programmes for social enterprises/social entrepreneurship in Cyprus. However, the European Regional Development Fund (ERDF)/ESF have granted support for promotion and development of social enterprises in Cyprus during 2014-2020. The NAP also includes the below support measures (see below).

- Funding: A grant is provided for start-ups and existing social enterprises, which will be up to EUR 25,0000. In the event that the entity employs disabled people or people coming from vulnerable groups, an additional grant will be provided. More specifically, EUR 4,000–12,000 per person with disabilities; and EUR 3,000–12,000 per person belonging to vulnerable groups. This scheme will support 80 social enterprises and cover different operational costs.
- Support by Incubators: During 2019 – 2021, two social enterprise incubators will support social enterprise start-ups for a period of up to three years. Afterwards, enterprises will move to their own workspaces, as new entities replace them in the incubators. Newly established social enterprises are offered: low rental cost for offices and workshops; financial mentoring; secure funding; business development services; consultation services and know-how; networking; and collaboration with universities.
- Additional measures:
 - 1) Label and certification system for social enterprises;
 - 2) Electronic portal to inform of the steps for creating a new social enterprise, available funding sources and training opportunities;
 - 3) Vocational and educational training for social entrepreneurs;
 - 4) Mentoring.

NATIONAL ACTION PLAN (NAP)

In January 2018, Cyprus developed the Action Plan for the Development of the Social Enterprise Ecosystem (National Action Plan - NAP) which includes measures and incentives for activating or

expanding social enterprises in Cyprus. Accordingly, it provides grants, loans, access to infrastructure and knowledge, access to public procurement. The budget is estimated at EUR 3.1 million, but it depends on the draft law, which at the time of writing the report, was not yet approved.

The NAP provides no tax incentives.

2.2. Crowdfunding opportunities

In Cyprus, crowdfunding opportunities are limited to non-existent, while matching funds, state aid and tax benefits for alternative finance are not available. There have been some attempts to establish the crowdfunding industry since 2016. In 2020, CySEC, the Cyprus Securities and Exchange Commission, has issued a Crowdfunding Directive. The Directive only covers investment-based crowdfunding through transferable securities and excludes loan-based, reward-based and donation-based crowdfunding. Currently, there are not crowdfunding platforms.

In November 2020, the EU Regulation on European Crowdfunding Service Providers (ECSP) for business, entered into force. This means that the rules will enter into force in November 2021, applying directly across the EU, including Cyprus.

2.3. Access to funds for start-up

RESTART 2016-2020 Programme: Any social enterprise may submit proposals, as the RESTART programme includes a specific section on social innovation that supports the development of innovative ideas, products, services and technologies. Also, it promotes good practice models of organization, governance and enhancement, the development of abilities and strategies for meeting societal challenges, and new relationships and collaborations between social partners and other stakeholders.

2.4. Access to funds for development

Although the Cyprus government does not offer publicly funded support programmes for development of social enterprises and social entrepreneurship, the European Regional Development Fund (ERDF)/ESF has granted support for the development of social enterprises in Cyprus during 2014-2020. Also, the NAP supports some measures such as funding for start-ups and existing social enterprises up to EUR 25 0000; support by incubators; label and certification system for social enterprises; e-portal to inform of the steps for creating a new social enterprise, available funding sources and training opportunities.; vocational and educational training for social entrepreneurs; and mentoring. However, most of the respondents in the interview phase were not familiar with these schemes.

Chapter 3. Social incubation pattern

3.1. Legal framework

At the time of writing the report, there was no legal framework for social incubation in force. Nevertheless, the *'Law for the development and maintenance of a Registry for Social Enterprises'*, which was passed into law by the House of Representatives in December 2020, covers Cyprus' social enterprise sector including social incubators and incubation opportunities. Also, the policy document for Social Enterprises of 2017, proposes two incubators for three years, in Nicosia and Limassol, while social enterprises that are located in other areas, will make use of social entrepreneurship coupons to use approved support structures located in their areas.

According to the policy document of 2017¹, coupons are characterized by simple procedures aiming to serve subsidized companies: submission of proposals, short period of examination and announcement of results. Social enterprises registered in the Register of Social Enterprises, will be able to apply for coupons both for incubation services offered by the two incubators (Nicosia and Limassol) and for services which will be offered by approved support structures, such as:

- Consulting services for the development of technological applications;
- Consulting services for the preparation of tender documents;
- Carrying out techno-economic reports for innovative products and services;
- Access to research and databases;
- Design and construction of a prototype;
- Product promotion and promotion activities.

However, for the implementation of this action, Social Enterprise Support Structures must be approved in advance. Accordingly, an invitation to submit interest will be published, and interested organizations and companies will be able to provide incubation, consulting and/or technical services. The entities that will be approved will become the Support Structures.

¹ Policy document for developing an ecosystem of social enterprises in Cyprus, 2017

3.2. Social incubation methods

Social Incubation methods focus on providing support services to social entrepreneurs, but their services are of a more general nature, lacking in specialized, tailor-made content. The lack of experience and framework for social enterprises in Cyprus limits the diversity and scope of the incubation methods on offer. Some training workshops on social entrepreneurship are available - usually through EU initiatives (Erasmus+); business consultancy services are also available, while certain organizations acting as social incubators also offer business spaces at affordable prices including administrative support services. In addition, mentoring and advisory offered by business experts can also be considered part of an incubation pattern, while business development opportunities between large corporates and start-ups, may also become available.

3.3. Type of social businesses incubated

Most of the social businesses incubated appear to have an environmental orientation focusing on recycling, responsible production, eco-friendly services and products, sustainable tourism, agrotourism, and digital services.

In addition to the above, there seems to be a rise in social enterprises aiming to address social issues such as exclusion and marginalization of disadvantaged groups. People with intellectual or physical disabilities are offered employment opportunities through social enterprises initiatives. The government support is still relatively limited but does offer a framework that can facilitate social enterprises of social inclusion.

Currently, HUB Nicosia is hosting three organizations, one in the field of sustainable tourism, a youth organization and one in activist journalism. Other organizations/ startups that HUB Nicosia provided support include online businesses, provision of home care for seniors and people with disabilities. All districts, Nicosia, Paphos, Larnaca, Limassol (rural and urban regions) are covered.

3.4. Geographical coverage

All districts of Cyprus, including rural areas seem to be involved in the social enterprises industry, some more than others. For example, the number of social enterprises in Nicosia indicates that there are more of them in the capital, than there are in Limassol, Larnaca, Paphos, and the rural areas.

3.5. Resources involved

Not applicable.

3.6. Uncovered needs for incubation

There is a lack of capital for start-ups and a lack of support by the local government, regarding education and training.

In the start-up phase, the principal needs are business planning and finding funding opportunities. Business planning can support the starting and/or growing of a social enterprise, while funding opportunities and/or grants can be startup costs and investments in equipment, technology, or one-time costs that are needed for a business to start.

In the development phase, there is a need for the development of a marketing strategy. A marketing strategy will support the social enterprise by promoting the company, product and/or service, but sometimes there is little knowledge about how to design and implement one.

Networking is a common need for both phases. Building a network is important for social enterprises, as it can be used to provide new opportunities, knowledge, and inspiration.

3.7. Lessons learned

The lack of a legal framework is hindering the growth of the social enterprises' sector in Cyprus². The lack of support by the government is a discouraging factor for social businesses, as well, as there is more focus on enterprises in general, than on social enterprises.

3.8. Challenges

Some of the challenges regarding the social business incubator are the absence of a legal framework in Cyprus and a lack of familiarity with the concept of the Social Enterprises. Also, the local government does not pay enough attention to the concept, and they deal more with enterprises in general, than with social enterprises, as there is no relevant legal framework and policy at the moment.

² The Parliament passed the bill into law in December 2020.

Chapter 4. Conclusions

In Cyprus, the social incubation framework is a relatively new concept. The absence of a *legal framework and policies* at the time of writing this report, and the *lack of funding at national level* were identified as the main issues to be addressed regarding social entrepreneurship in Cyprus. Although Cyprus has made progress recently in passing the law on social enterprises, the legislation is still very new and has not been implemented yet.

Cyprus does not currently have social businesses that are covered by a legal framework, nor there are formal existing incubation and acceleration programmes. In this framework, social business incubation opportunities are limited, as the social business incubators that do exist, on the one hand, they can provide support to social entrepreneurs, but on the other hand, their services are too general to serve their cause.

The *lack of extensive experience* is an important factor that limits the scope and diversity of incubation methods offered. As already mentioned above, only a few *social incubators* exist and function in Cyprus, mainly because of the non-existent (at the time of writing) legal framework that would support them as legal entities. Those social incubators only offer business spaces at affordable prices including administrative support services, training workshops, counselling services, mentoring. However, the services offered are limited in extent and in depth. This is caused also because of the *lack of familiarity* with the concept, not only within the general public, but in business circles as well. As evidenced by our research, within the answers we received and the study we conducted, there was a lack of understanding of what a social enterprise is exactly, how it contributes to society, and how social business incubators work and what they offer.

Crowdfunding platforms are non-existent in Cyprus, which represents another type of obstacle in the direction of forming social businesses, in Cyprus; while the risk of conflict between the business and social mission of the social businesses is evident. This is caused by the insufficient development of mechanisms that contribute to crowdfunding.

The development of the field of social business and social business incubators depends on knowledge and on understanding of what it is, how it works, how it can work specifically in the Cypriot society, and what benefits it will have.

The Cypriot society needs to make the creation and the operation of such a type of business a priority, which requires an analysis of proposed legislations and policies, an analytical framework of existing social business incubators and their gaps.

Chapter 5. Recommendations

Currently, Cyprus does not have social businesses operating within a legal framework. However, there are some businesses that cover some aspects of a social enterprise, that could be used to develop a social business incubation model for Cyprus. The more important element is that the government needs to *move forward with creating a social entrepreneurship environment in Cyprus*, by speeding up the passing of the draft law on social enterprises, which is currently before the House of Representatives³.

Accordingly, Social Businesses in Cyprus need to have:

- *Expertise*: In the case of Cyprus, social entrepreneurs need to be offered expertise to be able to develop and operate a social business, either by public bodies or by private entities.
- *Funding and collaboration opportunities*: The lack of funding options results to social businesses being under-developed, as they lack creation and acceleration capitals. As a result, the collaboration opportunities are limited. Adequate funding options would be beneficial and would encourage the creation of social businesses.
- *Tax and fund incentives*: Currently, there are no tax and fund incentives; therefore, social entrepreneurs are hesitant in creating a social business.
- *Connection with the Cypriot reality*: Getting familiar with the concept of social businesses is crucial so that social businesses become part of the lives of people who live in Cyprus. The current situation does not offer opportunities for social businesses, nor for social entrepreneurs to grow and thrive in Cyprus.

To sum up, a lot needs to change and improve for the social enterprises' environment to develop and succeed in Cyprus. Within this framework, many procedures regarding social enterprises will be accelerated and established, which will make room for familiarization and adaptation of the Cypriot society with the concept of social entrepreneurship.

³ The Parliament passed the bill into law in December 2020.

References

- European Commission (2020) *Social enterprises and their ecosystems in Europe. Comparative synthesis report*. Authors: Carlo Borzaga, Giulia Galera, Barbara Franchini, Stefania Chiomento, Rocío Nogales and Chiara Carini. Luxembourg: Publications Office of the European Union. Available at <https://europa.eu/!Qq64ny>
- European Commission (2019) *Social enterprises and their ecosystems in Europe. Updated country report: Cyprus*. Author: George Isaias. Luxembourg: Publications Office of the European Union. Available at <https://europa.eu/!Qq64ny>
- Government of Cyprus, Irene Piki (2019), *Support programs for social entrepreneurship/social enterprises: Final Report*
- Technopolis group (2018), *Social Business Initiative (SBI) follow up: Co-operation between social economy enterprises and traditional enterprises, Final Report*
- Policy document for Social Enterprises in Cyprus (2017), SYNTHEsis Center for Research and Education LTD

Laws and public policies

- Draft bill entitled ‘Law for the development and maintenance of a Registry for Social Enterprises’, 2017 available at [http://www.dgepcd.gov.cy/dgepcd/dgepcd.nsf/All/DF9FFC9C5ADDE521C2258464001F2F39/\\$file/%CE%9D%CE%9F%CE%9C%CE%9F%CE%A3%CE%A7%CE%95%CE%94%CE%99%CE%9F%CE%9A%CE%9F%CE%99%CE%9D%CE%A9%CE%9D%CE%99%CE%9A%CE%A9%CE%9D%20%CE%95%CE%A0%CE%99%CE%A7%CE%95%CE%99%CE%A1%CE%97%CE%A3%CE%95%CE%A9%CE%9D%20%CE%9D%CE%9F%CE%9C%CE%9F%CE%A3%202019%CE%92%CF%84%CE%91wtrm.pdf](http://www.dgepcd.gov.cy/dgepcd/dgepcd.nsf/All/DF9FFC9C5ADDE521C2258464001F2F39/$file/%CE%9D%CE%9F%CE%9C%CE%9F%CE%A3%CE%A7%CE%95%CE%94%CE%99%CE%9F%CE%9A%CE%9F%CE%99%CE%9D%CE%A9%CE%9D%CE%99%CE%9A%CE%A9%CE%9D%20%CE%95%CE%A0%CE%99%CE%A7%CE%95%CE%99%CE%A1%CE%97%CE%A3%CE%95%CE%A9%CE%9D%20%CE%9D%CE%9F%CE%9C%CE%9F%CE%A3%202019%CE%92%CF%84%CE%91wtrm.pdf) (Last accessed on 15 September 2020).
- Companies Law Cap.113 and Law 28/ 1959, available at <http://www.cylaw.org/nomoi/arith/CAP113.pdf>
- Cooperative Societies Law Cap. 114 available at <http://www.cylaw.org/nomoi/arith/CAP114.pdf>
- Law 104(I)/2017 on Associations, Foundations and Clubs available at http://www.cylaw.org/nomoi/indexes/2017_1_104.html
- Public Procurement and Related Issues Law (73(I)2016) available at http://www.cylaw.org/nomoi/indexes/2016_1_73.html

- National Action Plan for social enterprises in Cyprus available at <https://issuu.com/presidency-reform-cyprus/docs/9617efb9e39987>
- Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R1503>

Web resources:

- RESTART PROGRAMME 2016-2020 <https://trimis.ec.europa.eu/programme/restart-2016-2020-programmes-technological-development-and-innovation>
- The Cyprus Entrepreneurship Fund [https://www.eif.org/what we do/resources/cypef/index.htm](https://www.eif.org/what-we-do/resources/cypef/index.htm)
- Centre for Entrepreneurial Development, Alliance & Research <https://www.cedar.org.cy/>
- The Hub Nicosia <https://www.hubnicosia.org/>
- UCLAN Cyprus <https://www.uclancyprus.ac.cy/>
- IDEA Innovation Center <https://ideacy.net/>
- EIF <https://www.eif.org/>

