

THE HISTORY OF SOCIAL ENTERPRISES IN CYPRUS

Social Enterprises Roots And Drivers¹

Associations, foundations, and volunteer organizations have a long history and tradition of engaging in socially conscious activities in Cyprus. Altruistic ideas, acts of compassion, and the desire to "help one another" are traditional traits of Cypriots, which are still readily apparent today. The cooperative sector in Cyprus, which started approximately 80 years ago and is still going strong today, exemplifies the feeling of community that motivates social enterprise.

Activities that are socially conscious have been carried out by associations, foundations, and unofficial volunteer groups in Cyprus for a very long time. When the first conference on the subject was held in Cyprus in November 2010, the phrase "social enterprise" was first used. Since 2013, social enterprises have drawn the increasing attention of government officials, academics, practitioners, and the public at large.

One of the primary drivers behind the Cypriot social entrepreneurship ecosystem has been the private sector. Social enterprises and the larger field of social entrepreneurship have benefited greatly from increased public awareness thanks to private firms by guarantee (non-profit) or shares (for-profit corporations that seek social goals and distribute a small share of profits). A second driver includes specific organizations that offer services for the wellbeing of vulnerable and socially excluded populations, despite the fact that they may not designate themselves as social enterprises. The third driver is the cooperative sector, which was established approximately 80 years ago, and continues to have a significant social and economic impact, while the fourth one is the policy driver.

Associations, foundations, and volunteer organizations have a long history and heritage of carrying out socially conscious activities in Cyprus. The ideals of altruism, acts of kindness, solidarity, and community have been infused with many trends that have been created throughout numerous sorts of organizations and are still in use today. The "Mediterranean" welfare system, wherein civil society and the cooperative movement addressed the state's inadequacy to fulfil societal needs, is where this widespread tradition had its origins.

When the first conference on the subject "Connecting Social Innovation" was organized in Cyprus by the Synthesis Center for Research and Education Ltd. in November 2010, the phrase "social enterprise" was used for the first time. Since then, a number of initiatives started by organizations that are primarily driven by the private sector and pursue social and/or environmental goals in addition to economic activities. To educate the public, politicians, and future social entrepreneurs about the industry, numerous seminars and conferences have been hosted. Additionally, academia has assisted in transmission of knowledge, launching of

¹ This part of the report is based on: Isaias, G. (2019) *Social Enterprises and Their Ecosystems In Europe, Country Report Cyprus*, Luxembourg: Publications Office of the European Union.

themed promotional activities, and subsequently added social entrepreneurship to the curriculum of its course offerings.

Similarly, several organizations and foundations have utilized funds from economic endeavour to launch and expand additional systematic, financial initiatives to support the durability of the industry. Several additional initiatives that might be generally categorized as social entrepreneurship have also been seen, albeit informally; yet, despite not presently meeting the criteria for legal social enterprise status, these efforts were at some point institutionalized as a component of the industry.

Since 2013, policymakers, researchers, practitioners, and the general public have all begun to pay more attention to social enterprises. More consciously, the Cypriot government has launched a number of steps since 2015 to create a policy that supports the creation of an environment that fosters the growth of social enterprises.

Since the term "social entrepreneurship" was coined, there has been some advancement, and certain sectorial organizations have started talking about more sustainable economic models with a social objective that displace philanthropy. The government's decision to launch a public funding scheme for social enterprise start-ups, which began in December 2013, has enriched the discussion around social enterprises. The discussion has centered on recognizing businesses that support the employment of individuals with disabilities or offer welfare services within a long-term economic strategy. The conversation also spurred a variety of legislative and policy proposals, including the draft law and NAP, which was put into effect in 2020. The government's backing for the growth of social enterprises opened the door for an increasing number of organizations to provide services of popular interest, particularly in the areas of social services, culture, sport, recreation, research, and health.

Private Driver:

Since 2010, a number of businesses that combine commercial activity with a social goal (such as addressing environmental issues) appeared in Cyprus. Private firms by guarantee and private companies by shares are both included in the so-called "private driver." Private companies with guarantees are sometimes referred to as "non-profit companies," whereas those with shares are typically for-profit corporations under the law. When they actively pursue social objectives beyond profit maximization and founder distribution, companies are regarded as social enterprises. Due to the fact that registering as a traditional company is an easiest and fastest way to launch a social enterprise in Cyprus, these organizations frequently register as such out of necessity.

Association/ Foundation Driver

The three noticeably different terms "voluntary," "non-profit," and "non-governmental organization" (NGO) are frequently used synonymously in Cyprus and are all connected to charity. Recently, a small number of Cypriot foundations and associations have launched economic ventures to bring in money to sustain their sustainability. These organizations frequently focus on providing services for the well-being of vulnerable groups and/or socially excluded groups, even though they cannot define themselves as social enterprises. They also

make a considerable portion of their money through economic activities like recycling, the production of organic products, and running second-hand stores. Associations and foundations also carry out activities and projects related to the social and economic inclusion of vulnerable or marginalized groups; while these initiatives do not meet the criteria for social enterprises, they do have the potential to be institutionalized and turn into social enterprises in the future.

Cooperative Driver

The nearly 80-year-old cooperative sector in Cyprus exemplifies the same spirit of community that motivates social entrepreneurs. The cooperative movement is a crucial contextual reference because of its extensive impact on Cyprus' sociological, economic, and value systems. The 20th century saw the beginning of the first collaborative endeavour. Records from the national archive mention attempts made in 1904 by the director of agriculture at the time to establish cooperative credit societies in a few localities. The Cypriot cooperative movement expanded significantly between 1936 and 1974. The massive growth of cooperative credit groups led to the establishment of the Cooperative Central Bank (CCB) in 1937. The CCB provided funds to farmers to satisfy their numerous needs in addition to receiving deposits and disbursing loans. It also served as the government's agent to support several ongoing agricultural development programs. One third of the island's total population was forcibly relocated from the north to the south as a result of the Turkish invasion in 1974, which also caused the Cypriot economy to collapse.

The cooperative movement at the time made a significant contribution to the alleviation of housing issues by providing low-interest loans to the populace and taking abandoned houses in the north as collateral. In the 1980s, cooperative societies became financial organizations comparable to banks with more lenient lending policies for cooperative members as a result of this transformation and the island's ensuing financial prosperity. Everything else was stopped or abandoned. Following the global financial crisis that struck Cyprus in 2013, the cooperative sector was found to have a high percentage of unsecured debts, which is a sign of poor management and inadequate lending supervision. In an effort to maintain the system, the state provided funding and took up cooperative management and oversight.

The fall of the Cooperative Bank does not imply that the Cypriot cooperative society has been abandoned. Strategic planning is implemented, in an effort to boost the performance of the cooperative sector. Cooperative businesses are thought to still be operating today. It is currently up for debate as to whether or not all of them qualify as social enterprises. The legislation regarding social enterprises mentions cooperatives as being qualified for social business designation after meeting the required standards.

Policy Driver

After the Social Business Initiative (SBI) was introduced, the state started to advocate for a policy that may assist in the development of an enabling ecosystem for social entrepreneurs in Cyprus (European Commission 2011). The policy agenda for social enterprise growth was advanced during the economic and financial crises. The government made the decision to

launch a plan in 2013 to expand the industry by setting aside public funding to assist new social enterprises.

The government's support for social entrepreneurship was formally declared in 2015; it was noted as a complementary type of entrepreneurship that might aid in addressing social or environmental issues (MECIT and UAR 2015). The importance of social enterprises was recognized as a way to combat discrimination and inequality in the workforce, support and promote employment of vulnerable groups, and provide new employment opportunities and entrepreneurial activity in rural areas across Cyprus. Following a recommendation from the Ministry of Finance, the European Commission (EC) hired outside consultants in 2017 to create a policy paper on the growth of Cyprus' social entrepreneurship ecosystem. The NAP puts a focus on assistance programs designed to help vulnerable or underprivileged individuals find employment and integrate into society. Additionally, it has a number of funding initiatives, support programs, and financial services that could help the sector grow and sustainably in both the short and long terms. It was predicted that the sector would gain momentum and that the NAP would make clear the necessary steps for development.

Legal Framework²

The Cyprus Parliament only passed a law regarding the creation of social enterprises in December 2020. This eventually created a legal framework for the registration of social enterprises by a variety of legal entities, including corporations, cooperatives, and other businesses. The Social Enterprises Law of 2020 was published in the official newspaper of the Republic of Cyprus on December 23, 2020. A few years earlier, the Council of Ministers approved the draft law "On the development and maintenance of a registry of social enterprises" and it was subsequently submitted to the relevant committee of the House of Representatives ("the Social Enterprises Law").

The social business initiative ("SBI"), which was communicated by the Commission to, among others, the European Parliament and the Council, with the aim of promoting a highly competitive social market economy and innovation, with a view to developing and establishing territorial cohesion, sustainable jobs, welcoming new initiatives, protecting the environment, and combating poverty, is where the Social Enterprises Law gets its start ("the Communication").

Two categories of social enterprises are recognized under the current law: **1. General purpose (GP) social enterprises**, whose main goal is the accomplishment of a social mission through the promotion of beneficial social and environmental actions in the interest of society **2. Social inclusion/integration (SI) social enterprises**. The accomplishment of a social mission through the employment of disabled people, at a minimum rate of 10%, and people from vulnerable groups (as defined by the Law), at a minimum rate of 30%, is their primary object

² This part of the report was based on Karitzis, A. (2021, March 18). Social Enterprises. Contracts and Commercial Law - Cyprus. Retrieved August 30, 2022, from <https://www.mondaq.com/cyprus/contracts-and-commercial-law/1048810/social-enterprises>

of activity, which must be reflected in their memorandum and articles of association. Additionally, in the context of their activities, they invest at least 40% of their profits, after taxes, for the realization of their aforementioned main business objectives.

The Commissioner of cooperatives and social enterprises, is currently the competent authority for the operation and maintenance of the Registry for Social Enterprises. The Law has come to a very important crossroad where the social awareness and concern for the vulnerable groups and the environment is needed more than ever. It will undoubtedly contribute to further develop and promote social entrepreneurship in Cyprus.

References:

Isaias, G. (2019) *Social Enterprises and Their Ecosystems In Europe, Country Report Cyprus*, Luxembourg: Publications Office of the European Union.

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