

CREASSE Project: Promoting the rural and inclusive social and solidarity economy

Context of the Social and Solidarity Economy in CYPRUS

1. DEFINITIONS OF SSE IN EUROPE

1.1 European Commission – Definition of the Social Economy Action Plan – *Definition of the social economy*

The European Commission defines the social economy in terms of its general principles and characteristics, namely:

The social economy encompasses a range of entities with **different business and organisational models**. They operate in a wide variety of economic sectors: agriculture, forestry and fisheries, construction, reuse and repair, waste management, wholesale and retail trade, energy and climate, information and communication, financial and insurance activities, real estate activities, professional, scientific and technical activities, education, human health and social work activities, arts, culture and media.

In the context of this Action Plan and related EU initiatives, the social economy encompasses entities that share the following fundamental common principles and characteristics: **the primacy of people, as well as the social and/or environmental purpose over profits, the reinvestment of most profits and surpluses to carry out activities in the interest of members/users ('collective interest') or society in general ('general interest')** and **democratic and/or participatory governance**.

Traditionally, the term social economy refers to four main types of entities that provide goods and services to their members or society at large: **cooperatives, mutual societies, associations** (including charities), and **foundations**. They are private entities, independent of public entities and with specific legal forms.

Social enterprises are now generally understood as part of the social economy. Social enterprises operate by providing goods and services to the market in an entrepreneurial and often innovative manner, with social and/or environmental objectives as their business activity.

Profits are reinvested mainly with a view to achieving their social objective. Their method of organization and ownership also follows democratic or participatory



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principles or focuses on social progress. Social enterprises take a variety of legal forms depending on the national context.

Terms such as "social economy enterprises", "social and solidarity enterprises" and "third sector" are also used by some stakeholders, countries and international organisations to refer to social economy entities. Labour integration social enterprises are a common type of social enterprise across Europe. They specialize in providing job opportunities to disadvantaged people.

Source: [European Commission Social Economy Action Plan 2021](#)

1.2 ILO definition – specifically has a definition of Social and Solidarity Economy

"The SSE encompasses companies, organizations and other entities that are engaged in economic, social and environmental activities at **the service of the collective and/or general interest**, which are based on the principles of **voluntary cooperation and mutual aid, democratic and/or participatory governance, autonomy and independence**, and the **primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits, as well as assets**.

SSE entities aim for long-term viability and sustainability, and the transition from the informal to the formal economy and **operate in all sectors of the economy**. They put into practice a set of values that are intrinsic to their functioning and consistent **with care for people and the planet**, equality and justice, interdependence, self-governance, transparency and accountability, and the achievement of decent work and livelihoods. Depending on national circumstances, **SSE includes cooperatives, associations, mutual societies, foundations, social enterprises**, self-help groups and other entities that operate in accordance with the values and principles of SSE."

Source: ILO, [Resolution on Decent Work and the Social and Solidarity Economy](#), June 2022

1.3 OECD definition: considers SSE and SE to be the same

"**The social economy**, also called in some countries **solidarity economy** and/or **social and solidarity economy**, is **made up of a set of organizations such as associations, cooperatives, mutual societies, foundations and, more recently, social enterprises**. In some cases, community initiatives are part of the social economy, in addition to non-profit organizations, the latter group is often referred to as the solidarity economy.

The activity of these entities is usually driven **by social objectives**, values of solidarity, **the primacy of people over capital** and, in most cases, **by democratic and participatory governance**".

Source: OECD, [Recommendation on the Social and Solidarity Economy and Social Innovation](#), 10 June 2022

1.4 United Nations definition: it has a specific definition of Social and Solidarity Economy



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The Social and Solidarity Economy (SSE) refers to forms of economic activities and relationships that prioritize **social and often environmental goals over profit motives**. It implies that citizens act collectively and in solidarity for the democratization of the economy and society, including producers, workers and consumers. It is often used as an umbrella term to encompass the **"social economy", the "solidarity economy" or third sector organisations and enterprises**. SSE is fundamentally about reasserting social control over the economy and relinking the economy with society and nature.

While many SSE organizations and enterprises (SSEOs) are established to respond to the specific needs of individuals and communities, some also aim to transform the economic operating system into one based on **values such as participatory democracy, solidarity, equity, human and Earth rights, self-determination, reciprocity, and cooperation**. All SSEOs emphasize human social values and ethics in economic activity and relations, and economic practices based on **democratic governance and self-management, reciprocity, solidarity, and active citizenship**.

In recent decades, the number of SSEOs has grown rapidly in both developed and developing countries. Organized at the grassroots level, they have helped mitigate long-term harmful trends, such as rising poverty and inequality, especially in the developed world, environmental degradation and deindustrialization that put skilled workers unemployed.

In addition, SSEOs play a critical role in delivering social services in all communities, especially at a time when government budgets are stressed and subject to cuts. In addition to providing fair services, SSEOs have generally demonstrated a remarkable ability as employers to maintain and create jobs in times of crisis where government and the market failed, including during the COVID-19 period. Therefore, a growing number of policymakers began to pay attention to the role and potential of SSEOs, as a means of implementing the SDGs at the local level.

2. LEGAL DEFINITION OF SSE IN CYPRUS

In Cyprus, there is no legal definition of SSE adopted by the Cypriot governments.

Since there are no social enterprises in Cyprus, SSE in Cyprus comprises of what we now call the 3rd sector. That is SSE comprises of NGOs, philanthropic foundations, cooperatives, associations, and grassroots organizations.

SSE in Cyprus is often confused with social corporate responsibility and with the social policies of the government. In general, while Cyprus lacks official definition of the Social and Solidarity Economy, it is generally understood to comprise organizations that prioritize social objectives and put social good on top of profit.

3. TYPES OF ORGANIZATIONS PARTICIPATING IN SSE IN CYPRUS



- **Cooperatives:** Member-owned enterprises that operate on the principles of democratic governance and mutual benefit, serving economic and social needs (regulated under the [Cooperative Societies Law, Cap. 114](#)).
- **Associations:** Voluntary, non-profit groups organized to pursue shared social, cultural, or economic objectives, often driven by community welfare (regulated under the [Associations and Foundations Law](#)).
- **Foundations:** Non-profit entities established to provide funding or support for various social causes, often with a focus on long-term charitable goals (regulated by the [Cyprus Registrar of Associations and Foundations, Ministry of Interior](#)).
- **Mutual Societies:** Organizations that provide mutual aid, insurance, or other services to their members, fostering a sense of collective responsibility (though not widely developed in Cyprus, indirectly regulated under the [Cyprus Ministry of Finance](#)).
- **Social Enterprises:** Businesses combining entrepreneurial activities with social objectives, reinvesting profits into their mission rather than distributing them as dividends.
- **Non-Governmental Organizations (NGOs):** Organizations focused on addressing social, environmental, or cultural challenges, typically funded through donations or grants.
- **Solidarity-Based Groups:** Informal or formal collectives that work to address social justice issues, emphasizing collaboration and mutual support.
- **Worker Cooperatives:** Enterprises owned and managed by their workers, focusing on fair working conditions and equitable profit-sharing.

4. BRIEF HISTORICAL REVIEW OF THE DEVELOPMENT OF SSE IN CYPRUS

The Social and Solidarity Economy (SSE) in Cyprus has deep historical roots, closely linked to the island's traditions of mutual aid, cooperative structures, and community solidarity. Its evolution reflects the socio-economic and political changes that have shaped Cyprus over the years.

During the late Ottoman and British colonial periods, informal mutual aid and community-based support networks were common, with local communities pooling resources to address common needs. The cooperative movement emerged as a formal response to economic hardships, particularly in rural areas, to protect small farmers and artisans from exploitation. The establishment of cooperatives in the early 20th century provided a foundation for collective economic activity and social empowerment.



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Post-independence (1960), the cooperative sector flourished, playing a critical role in the country's economic development. Cooperatives were central to rural development, enabling access to credit, agricultural resources, and markets. However, political and economic upheavals, including the Turkish invasion of 1974, led to significant challenges for the sector, with many organizations struggling to adapt to changing circumstances.

In recent decades, the concept of SSE has expanded beyond traditional cooperatives to include a broader range of entities, such as non-governmental organizations (NGOs), foundations, and social enterprises. These organizations have grown in response to contemporary challenges, such as unemployment, migration, and social exclusion, often filling gaps in public services.

While Cyprus lacks an official SSE framework, there has been increased recognition of its importance, particularly in promoting social inclusion, supporting vulnerable populations, and fostering sustainable economic development. Recent efforts to develop legislation for social enterprises signal a growing institutional interest in the SSE as a driver of innovation and solidarity.

5. CURRENT LAWS AND POLICIES RELATED TO SSE IN CYPRUS

- **Cooperative Societies Laws (2017, as amended):** Regulates the establishment, operation, and governance of cooperatives, promoting democratic governance and mutual benefit.
- **Non-Profit Organizations and Associations Law (Law 104(I)/2017):** Provides the framework for the registration, operation, and transparency of associations, foundations, and non-profit entities.
- **Social Enterprises Law 207(I)2020:** Proposes a legal framework for social enterprises, defining their structure, purpose, and requirements for reinvesting profits into social objectives.
- **Companies Law (Cap. 113):** Allows for the registration of companies with non-profit purposes, often used by social economy entities in the absence of specific SSE legislation.

6. GOVERNMENT SUPPORT PROGRAMMES FOR ESE INITIATIVES IN CYPRUS

- **Scheme for Social Enterprises (2021):** Provide funding and technical support for the establishment and operation of social enterprises, including grants for start-up costs and operational expenses.
- **Entrepreneurship Fund for Vulnerable Groups:** Offers financial assistance and mentoring to social enterprises employing individuals from vulnerable groups, promoting social inclusion.



- **Local Development and Social Inclusion Grants:** Administered through municipalities and local authorities, these grants support community-based projects and initiatives aligned with SSE principles.
- **Tax Incentives for Social Enterprises:** Social enterprises registered under the Social Enterprises Law are eligible for reduced tax obligations and exemptions, aimed at facilitating their sustainability.
- **Training Programmes for Social Entrepreneurs:** Conducted in collaboration with NGOs and educational institutions, these programmes provide capacity-building workshops on social entrepreneurship, financial management, and governance.
- **EU Funded Programmes:** National authorities implement EU-funded initiatives such as the European Social Fund (ESF) and Erasmus+ to support SSE actors through co-financing for projects, training, and exchange opportunities.
- **Youth Entrepreneurship Scheme:** Includes dedicated streams for social enterprises run by young entrepreneurs, offering grants and advisory services for innovative social projects.

7. PUBLIC AWARENESS AND SUPPORT FOR SSE INITIATIVES IN CYPRUS

In Cyprus, public awareness of the Social Economy (SSE) remains relatively low compared to other European countries, partly due to the lack of widespread education and promotion of the concept. While cooperatives have a long-standing history and are generally recognized, other components of the SSE, such as social enterprises and solidarity-based organizations, are less familiar to the general public.

Media coverage of SSE initiatives is sporadic and often limited to success stories or the launch of government-supported programmes. This limited attention contributes to the perception that SSE is a niche area rather than a significant pillar of economic and social development. Among certain groups, such as youth, educators, and NGOs, there is growing interest in the SSE, driven by awareness of its potential to address social challenges and foster inclusive growth. Campaigns and workshops organized by government bodies, NGOs, and EU-funded projects have started to shed light on the benefits of SSE, gradually increasing engagement.

Challenges include the misconception that SSE activities are purely charitable or non-professional, as well as a lack of understanding of their economic and social impact. Stronger efforts in public education, targeted campaigns, and consistent media engagement could enhance public perception and support, positioning SSE as a vital contributor to Cyprus' sustainable development.

8. IDENTIFIED NEEDS RELATED TO SSE IN CYPRUS



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The Social and Solidarity Economy in Cyprus is still at an early stage of development, and one of its most pressing needs is the establishment of a **clear and comprehensive legal framework**. While social enterprises are formally recognized through the 2020/2023 legislation, cooperatives, associations, and foundations remain under fragmented laws. Without a unified definition, SSE actors lack visibility and equal access to support.

Financing is another major gap. Social enterprises struggle with limited grants, tax incentives, and investment opportunities, while procurement rules are not adapted to their needs. Access to alternative financing such as social impact investment or cooperative credit remains underdeveloped, hindering growth and sustainability.

Awareness and coordination also need strengthening. SSE is often confused with NGOs or charities, and the ecosystem is fragmented across ministries. Stronger networks, advocacy, and public recognition are required to build a coherent sector.

Capacity building is essential, especially in digital and entrepreneurial skills. Many organisations, including those working with vulnerable groups such as migrants, lack the resources to innovate or scale up effectively. Linked to this, SSE has untapped potential in social inclusion and integration, but targeted policies are still missing.

Finally, NGOs and voluntary organisations, important providers of social welfare, struggle with short-term, competitive funding and are often excluded from policy planning. **More stable support and inclusion** in welfare strategies would strengthen both the sector and wider social protection in Cyprus.

Within the framework of the **CREASSE** project, focus groups in Cyprus serve not only as indicative tools but as spaces for dialogue and joint action. By bringing together cooperatives, associations, foundations, social enterprises, NGOs, policymakers, and citizens, they help identify common challenges, such as fragmented laws, limited financing, and low awareness, and co-create solutions tailored to the Cypriot context.

Complementary actions include training to strengthen entrepreneurial and digital skills, awareness-raising to clarify the distinct role of SSE and showcasing good practices that can be scaled or replicated. CREASSE also fosters cross-border connections, enabling Cyprus to learn from European experiences and access new opportunities for collaboration.

Through initiatives like networking and entrepreneurial competitions, the project enhances innovation and cooperation, helping to build a stronger, more resilient SSE ecosystem in Cyprus while embedding it more firmly within the European framework.