

BLUEPRINT

FOR THE ESTABLISHMENT OF
SOCIAL INNOVATION AND
SOCIAL ENTREPRENEURSHIP
IN CYPRUS



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A Collaborative Effort by SYNTHESIS
Center for Research and Education and
the Center for Social Innovation - CSI"



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Forward: The present document comprises a joint effort of SYNTHESIS Center for Research and Education and the Center for Social Innovation - CSI to chart the roadmap for the establishment of Social Innovation and Social Entrepreneurship in Cyprus. This Blueprint was created under the working plan of the FUSE project, a project funded by the European Union (via the European Social Fund and the European Programme for Employment and Social Innovation)



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1. Social Innovation and Social Entrepreneurship

Innovation, in all its forms, carries the potential for change. Social Innovation, however, has the unique ability to bring about transformation at the societal level¹. What distinguished Social Innovation from other forms of innovation, is its focus on improving the welfare of individuals within a community². It shares an inherent social purpose driven by a commitment to identifying and delivering creative solutions to complex societal problems. Through the development of new products, services, and methods, Social Innovation aims to improve the quality of life for individuals and communities, and to create positive social change. “Today’s societal challenges are often the result of multiple, interrelated crises”³. These include financial and economic crises, as well as geopolitical conflicts that can destabilise the global environment. Additionally, ecological challenges like the current pandemic can have far reaching social and economic consequences, highlighting the need for innovative solutions that address these complex and interconnected problems. Also known as wicked problems, these challenges include hunger, poverty, migration, climate change, ageing population, youth unemployment and so on⁴. “Interestingly, the mechanisms of crisis and recovery can both provoke and accelerate Social Innovation⁵”.

Every challenge comes with an opportunity, but when a challenge is complex, multi-faceted and involves multiple stakeholders, the best way to achieve Social Innovation is through having an open, diverse and democratic governance system. Therefore, Social Innovation is primarily concerned with process innovation and the dynamic relationships between people. It seeks to promote social inclusion and overcome the conservative elite forces who may seek to maintain or reinforce social exclusion environments⁶. A bottom-up approach to decision-

¹ Jule Caulier-Grice, Anna Davies, Robert Patrick & Will Norman, The Young Foundation, TEPSIE: Defining Social Innovation, D1.1, 2012.

² OECD Innovation Strategy, (2011), “Fostering Innovation to Address Social Challenges”

³ Syngedouw E, “The Antinomies of a Postpolitical city: In search of a Democratic Politics of Environmental Production”, *International Journal of Urban and Regional Research*, 2009, v33, pages 601-620.

⁴ Nicholls A & Murdock A, “Social Innovation: Blurring Boundaries to Reconfigure Markets”, Palgrave Macmillan, 2012.

⁵ MacCallum D, Moulaert F, Hillier J & Haddock S, “Social Innovation and Territorial Development”, 2010, pages 12-14.

⁶ Moulaert F, Martinelli F, Syngedouw E & Gonzalez S, “Towards Alternative Model(s) of Local Innovation”, *Urban Studies*, vol 42:11, pages 1969-1990, 2005.

making is crucial to achieving these goals, allowing communities to drive change and shape their own futures.

An ideal Social Innovation environment invites and welcomes all citizens of the community to engage, contribute and co-create between them. It allows people to find their own identity and role within communities. It represents change and the transformation of the society. As idealistic as this sounds, there have been historical precedents in social transformation and collective action that can vouchsafe its success. “Traditionally these initiatives involved cooperatives, mutual societies, labour unions, human rights organisations, socio-political movements from independence that strived for a better world, an improvement of the “human condition”.” For example, during the 1960s-1970s, primarily European student associations and workers movements worked together to inspire a more creative and participative society, transforming a top-down economy into a more bottom-up, democratic process which would recognise the different individual rights of people from all segments of the society⁷.

A means to promote Social Innovation and implement socially innovative solutions, is through Social Entrepreneurship. Social Entrepreneurship represents a new way of doing business, mainly by ethical start-ups to fund, implement and develop solutions to social, cultural and environmental issues. Social enterprises prioritise serving the community’s interest (including social, societal and environmental objectives, over profit maximisation. At the same time, they are still able to sustainably develop and compete in their market segments. They use their profits surplus mainly to achieve their social goals and purpose, and they are managed in an accountable, transparent and innovative way. They often have an innovative nature, whether through their products and services or their organisation and production methods. (Liger et al)

Social Entrepreneurship is not a new concept for Cypriot society. The Turkish Invasion of 1974 and the subsequent challenging years spurred the local population to engage in important social activities that helped them overcome the harsh economic and social consequences of the invasion. Cyprus has a very rich history of socially oriented activity, performed mainly by cooperatives, volunteering groups and NGOs dedicated to improving poor living conditions, increased unemployment, and promoting peace-building initiatives. Currently, around 75 cooperatives and 252 charities (numbers are indicative due to the lack of official statistics) are still active and continue to promote solidarity, social inclusion values that drive social

⁷ Chambon, Jean-Louis, Devevey J & David A, “Les innovations sociales”, Edition 1, 1982.

enterprises⁸. Social enterprises are distinguished from traditional social economy agents by three distinct characteristics: a focus on addressing social demands, the involvement of specific actors in these initiatives, and a prioritisation of social change over profit maximisation⁹. “Multiple analyses suggest that we are moving towards economic renewal and institutional change, calling for a response that prioritises producing value aligned with real demands and needs, rather than solely focusing on financial profits”¹⁰.

The present Blueprint is the first attempt to identify areas of intervention and put forward useful strategies and actions that can be elaborated/endorsed to support the Social Innovation ecosystem in Cyprus, which is still in its early stages of development. The key findings and recommendations presented here are a result of the [research report](#) that was made available during March 2020, which evaluated the ecosystem’ readiness by analysing ecosystem’s players, assessing strengths and weaknesses as well as identifying priority areas and opportunities for smart development. Some of these strategies and actions aim to bring incremental value, reflecting a step-by-step approach while others have the potential for radical or disruptive changes. Putting in place an infrastructure for Social Innovation processes that designs human-centred policies, offers adequate resources especially regarding finance and technology, but more importantly promotes a culture of open-mindedness, flexibility and willingness to take risks.

The present Blueprint is developed in the framework of the European project Facilitating Unified Approaches to Social Entrepreneurship ([FUSE](#)). FUSE is one of the six transnational projects, funded by the European Commission (through the initiative of the ESF+ and EaSI) to establish the ESF+ Network of National Competence Centers for Social Innovation¹¹. The consortium consists of partner organisations from Cyprus, Ireland, Bulgaria and Portugal, aiming to enhance knowledge exchange, sharing of best practices, transnational partnerships, capacity building and networking opportunities that will further enhance their Social Innovation ecosystems. For this call, the European priority has been set to encourage the development

⁸ Isaias G, (2019), “Social Enterprises and their ecosystems in Europe, Country Report: Cyprus”, Publications Office of the European Union.

⁹ Liger Q, Stefan M & Britton J, “Social Economy”, Policy Department A: Economic and Scientific Policy, Directorate General for Internal Policies, 2016.

¹⁰ European Commission, “Social Innovation: A Decade of Changes”, Publications Office of the European Union, 2014.

¹¹ <https://ec.europa.eu/european-social-fund-plus/en/esf-social-innovation>

of National Competence Centers for Social Innovation in all member states, that will in turn promote Social Innovation as a key driver for sustainable development.

In Cyprus, the project is being led by two partner organisations: the Center for Social Innovation ([CSI](#)) and Synthesis Center for Research and Education ([SYNTHESIS](#)). SYNTHESIS has been promoting Social Innovation in education, research and society since its establishment, and has even organized the first conference on Social Innovation in Cyprus on 2010, followed by numerous conferences and workshops on the topic. SYNTHESIS also founded Nicosia Hub, a collaborative workspace that promotes Social Innovation. CSI is a research and development organisation that works with local agencies, nonprofits, private companies, and educational institutions to address social, economic and cultural challenges in the region. The team specialises in designing and implementing innovative solutions for sustainable development and social inclusion. Both organisations have been involved in various European and international projects promoting Social Innovation and the development of the social entrepreneurship ecosystem on the island.

2. Social Innovation in Cyprus: The current state.

Cyprus has a rich history of socially oriented activities, carried out by various associations, foundations and volunteer groups (Isaias, 2019). Despite this, the Social Innovation ecosystem is still in its early stages, with the term “Social Entrepreneurship” only being introduced in November 2010, when SYNTHESIS held the first conference on the topic. However, in recent years, there have been several positive developments that have helped to promote the growth of Social Innovation in the region. For instance, during the 2013 economic crisis, the government introduced measures to support social enterprise startups and combat high levels of unemployment. Furthermore, in 2015, the Ministry of Energy, Commerce, Industry and Trade (MECIT) and the Unit of Administrative Reform (UAR) formally recognized social entrepreneurship as a viable form of entrepreneurship that could help tackle social and environmental challenges. These actions have helped to change the mindset of local entrepreneurs and policymakers towards Social Innovation, resulting in the emergence of many new businesses and organisations that embrace this concept. Nonetheless, there is still a lack of awareness surrounding the terms “Social Innovation” and “Social

Entrepreneurship”, which can hinder further development. It’s common for people to confuse Social Innovation with philanthropy or “Social Corporate Responsibility”.

Towards the end of 2020, the Parliament voted the first legislation regarding social enterprises in Cyprus setting the general framework for the social enterprises’ ecosystem on the island. Even though the law was passed, the specific regulations that will set the regulatory framework are still an issue of discussion, delaying thus the implementation of the regulatory and legislative framework within which Social Innovations and social entrepreneurship will flourish in Cyprus. What is more, the lack of strategic planning and regulatory framework, results in a lack of clarity amongst authorities responsible for Social Innovation and entrepreneurship as to their roles and duties. This lack of clarity can be accounted for as the reason why the Social Innovation ecosystem in Cyprus is still at an early stage despite the intentions and commitment from the government for the promotion of Social Innovation.

The absence of a strong network of Social Innovation players is also a need that must be addressed. As argued in the comparative synthesis report “Social Enterprises and their Ecosystems in Europe”, the emergence of social enterprises where networks are weak or almost non-existent has been much slower and more complex in comparison to countries distinguished by strong networks. Such networks not only work towards improving recognition and society’s awareness of social enterprises but also operate as their advocates.

Another gap that can be identified relates to the lack of fiscal measures and the overall unavailability of governmental financing opportunities for promoting Social Innovation. The support measures for social enterprises development, as included in the National Action Plan of January 2018 were never implemented, leaving thus social enterprises in a disadvantaged position. Additionally, no fiscal measures are clearly set in the recently passed regulatory framework from which social enterprises can benefit. Overall, Social Innovation and social entrepreneurship in Cyprus are impeded not only by the lack of awareness among the public but also by the lack of financing opportunities and fiscal measures that would enable them to sustainably develop. The lack of fiscal measures and funding opportunities are accompanied by the reluctance of the banking and financial sector to embrace and invest in Social Innovation and social entrepreneurship which is a major drawback for all those aspiring to operate in the field.

In Cyprus there is an immediate need for introducing entrepreneurship in education at all levels through well designed curricula. The lack of entrepreneurial education and its overall absence from the curricula of the Cypriot Ministry of Education, cannot but affect the degree of

awareness on Social Innovation and the inability to cultivate entrepreneurial mindsets as well. This gap is also reflected in the reluctance of young people to get involved with social entrepreneurship ventures in the future.

Local authorities in Cyprus undergo a major restructuring, with municipalities and communities facing the possibility of uniting with other municipalities or communities. This uncertainty has led local authorities in Cyprus to a series of negotiations and discussions as to the administrative, financial and managerial structure of the new entities to be formed by 2024. Forward looking policies and Social Innovation initiatives are now put on the side, since priority is given to their survival rather than proactive planning. Moreover, their reluctance is also translated into limited participation in workshops and capacity-building events related to Social Innovation and entrepreneurship.

Finally, the limited or no visibility of successful Social Innovation initiatives and social entrepreneurship examples is one of the reasons that leads to the slow-paced development of the sector in Cyprus and the establishment of the local Social Innovation ecosystem. There are currently in Cyprus 190 entities, which according to the EU's operational definition fall within the sector of social enterprises, however, the public knows only a handful of them and in some cases none of them.

These are the major gaps and needs identified in the fields of Social Innovation and social entrepreneurship, which the present blueprint aspires to cover, by bringing forward specific suggestions embracing three areas of intervention.

[Our Vision for Social Innovation and Social Entrepreneurship](#)

The suggestions put forward in the present Blueprint convey a straightforward vision for Social Innovation in Cyprus. The aim is to put forward a practical guide which will propose interventions in three areas that will lead to the creation of a positive environment in Cyprus where Social Innovation will be fostered and embraced; and the Social Entrepreneurship ecosystem will be further developed and fortified.

The vision is to establish Social Innovation in Cyprus as a means of achieving social prosperity and inclusion of marginalised, vulnerable groups of the island's population. Both SYNTHESIS and CSI aim to put forward and scale up Social Innovations as a means of social growth, offering of new job positions and just transition in alignment with the agenda of Sustainable



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Development Goals. In doing so, we cannot but strive for placing Social Enterprises and Social Entrepreneurship at the center of focus and work towards their recognition as part of the entrepreneurial ecosystem and the country's economy.

Lastly, this Blueprint aims to work towards establishing a virile, sustainable Social Innovation Ecosystem involving Academia, Local Authorities, Social Actors and Policy Makers. This Ecosystem will be working towards improving recognition and raising awareness on Social Innovation and Social Enterprises while at the same time it will be responsible for fostering mutual learning and capacity building training for its members and the community at large.

3. Main Areas of Intervention

The main objective of this report is to lay out the foundations on which the Cypriot Social Innovation ecosystem should be based upon. This includes taking small but crucial steps at the outset to create a shared vision, foster an inclusive and creative culture, and develop the individual and collective capabilities needed for all stakeholders in the ecosystem.

As the Cypriot Social Innovation ecosystem is still in its early stages of development, this report focused on three key areas of intervention, proposing a total 13 targeted actions to further advance and sustainably develop the ecosystem to thrive and grow into an innovative environment full of possibilities.

3.1 1st Area of Intervention: Creating a Positive Entrepreneurial Environment

The mission of this Blueprint is to create a positive environment in Cyprus where Social Innovation will be fostered and embraced. By positive, we mean creating a safe environment where cooperation and trust can flourish, and where synergies can emerge. Such an environment allows different territorial actors to come together and work on shared challenges.

Social Innovation plays a crucial role in territorial development, with a triple focus. Firstly, it aims to address basic stakeholder needs. Secondly, it empowers local actors and embodies the transformative nature of community-led initiatives¹². This leads to the development of new capabilities and collective visions that drive positive change. Thirdly, social and power relationships are appropriately transformed, resulting in a governance model that adds value to collective efforts¹³.

Social Innovation is very strongly a matter of process innovation. “Changing governance structures through developing new models of greater collective empowerment is a potentially socially innovative outcome”¹⁴.

¹² Moulaert F, Nussbaumer J (2005) The social region: beyond the territorial dynamics of the learning region. *Eur Urban Reg Studies* 12:45–64

¹³ Moulaert F, Ailenei O, 2015, “Social economy, third sector and solidarity relations: a conceptual synthesis from history to present, *Urban Studies* 42 (11), pages 2037-2053.

¹⁴ Moulaert F, MacCallum D, Hillier J (2013b), “Social Innovation: intuition, precept, concept, theory and practice”, *The International handbook on social innovation. Collective action, social learning and transdisciplinary research*,. Edward Elgar, Cheltenham, pages 13-24.

3.1.1 Action 1: Formation of cluster association in the Social Innovation ecosystem

Social Innovation is an all-inclusive, multidisciplinary approach to governance, so the ecosystem's culture and community members' values should reflect this approach. One promising concept for connecting individual strategies with collective visions that can benefit the whole region is the formation of clusters. Towards working on building a positive entrepreneurial environment, we will focus on developing a cluster association for Social Innovation.

Cluster formation is based on a relationship leadership approach. "This kind of leadership is proposed for networks where each agent needs the others, but no one depends on a single other agent, and where cooperation multiplies the benefits, but no one can impose it."¹⁵ To achieve a relationship leadership approach, the members must believe in the process and feel that they are part of it. This sense of belonging promotes honest communication and allows members to share a common challenge that makes it worth investing time into it¹⁶.

"Formation of clusters tends to help fuse competitive and cooperative relationships, contributing to less hierarchical and more democratic decision-making processes, perhaps delivering a path towards economic democracy"¹⁷. "Clusters can be key features for regional economic development as they can connect economic, social and environmental agendas"¹⁸.

3.1.2 Action 2: Creation of a coordinating committee with stakeholders and social enterprises

This action will help develop the culture and governance model necessary for a successful Social Innovation ecosystem with a diverse range of stakeholders.

The coordination committees can be seen as the first step for building a cluster association for Social Innovation, as their governance model is similar to clusters. The objective is to

¹⁵Aranguren MJ, Larrea M & Wilson J (2010) "Learning from the Local: Governance of Networks for Innovation in the Basque Country, *European Planning Studies*", 18:1, 47-65, DOI: 10.1080/09654310903343526

¹⁶ Estensoro M, (2015), "How can Social Innovation be Facilitated? Experiences from an Action Research Process in a Local Network", DOI 10.1007/s11213-015-9347-2

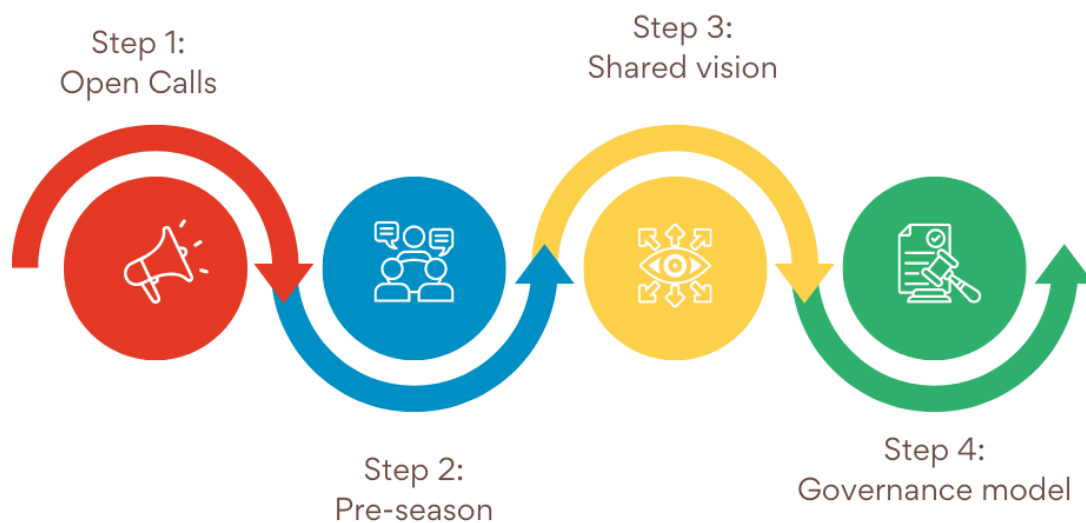
¹⁷ Sugden E, Wei P, Wilson J, (2006), "Clusters, governance and the development of local economies: a framework for case studies"

¹⁸ Wilson J.R., (2019), "Cluster policy resilience: New Challenges for a mature policy", *Int. J. Business Environment*, Vol.10, No.4, pages 371-382

involve a mix of territorial players in each coordination committee, based on a Quadruple Helix approach involving players from academia, the public and private sectors, and active citizens.

Initially, forming coordination committees can be of great value in order to build the necessary intangible steps needed to create a sustainable environment. These include stakeholders' engagement and motivation for contributing to the Social Innovation ecosystem. The ideal scenario involves forming a number of coordination committees, each focused on a specific area covered by Social Innovation such as climate change, social inclusion, peace building, circular economy, etc. Each committee should include around 12 representatives. The committees will be independent and interconnected.

Procedure



Step 1: Open Calls

- Use open calls of interest where anyone can apply to develop thematic coordination committees/networks.
- The calls should be well-known to stakeholders and the application process should be transparent and user-friendly.
- Each application should specify the areas of interest for each coordination committee.
- After the deadline, form coordination committees based on the number of applications, involving no more than 12 members in each case.

Step 2: Pre-season

- Coordination committees spend a pre-season period together with a series of meetings to “get to know each other” to establish an environment of trust.
- During these meetings, each actor will understand their responsibilities in the committee and become familiar with best practices for sharing opinions, giving constructive feedback and working together to identify and solve common challenges.
- Customised workshops will be offered to develop the necessary competencies and capabilities to be part of the committee group.
- Members will also establish a process for collective decision-making and choose a facilitator for the group.

Step 3: Develop a shared vision

- Committee groups will hold weekly meetings to identify specific challenges, share ideas, choose potential solutions and create an action plan with defined responsibilities for each member.
- Monthly networking meetings with all committee members to discuss progress, share vision and next steps, and receive feedback from experts and their members.

Step 4: Create an inclusive, decentralized, and participatory governance model

- By forming these committees, a more inclusive, decentralised, and participatory governance model can be established, which will help identify common grounds for cooperation and support for shared goals and challenges.
- Coordination committees can foster shared value¹⁹ and provide strategic policy intelligence to support the sustainable capture of value created in a territory among different players.
- These committees can align their goals with the UN's Sustainable Development Goals (SDGs)²⁰ and facilitate the elements of Social Innovation like knowledge cogeneration and socialisation, shared problem-setting, mutual empowerment, and the development of specific capabilities that enable self-managed transformation processes²¹.

*WHO: specialized organizations that are active in the Social Innovation field for a long time.

¹⁹ Porter M, Kramer M (2011) “Creating shared value”, Harvard Business Review, Vol. 89, pages 62-77.

²⁰See: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

²¹ Wilson J.R., (2019), “Cluster policy resilience: New Challenges for a mature policy”, Int. J. Business Environment, Vol.10, No.4, pages 371-382

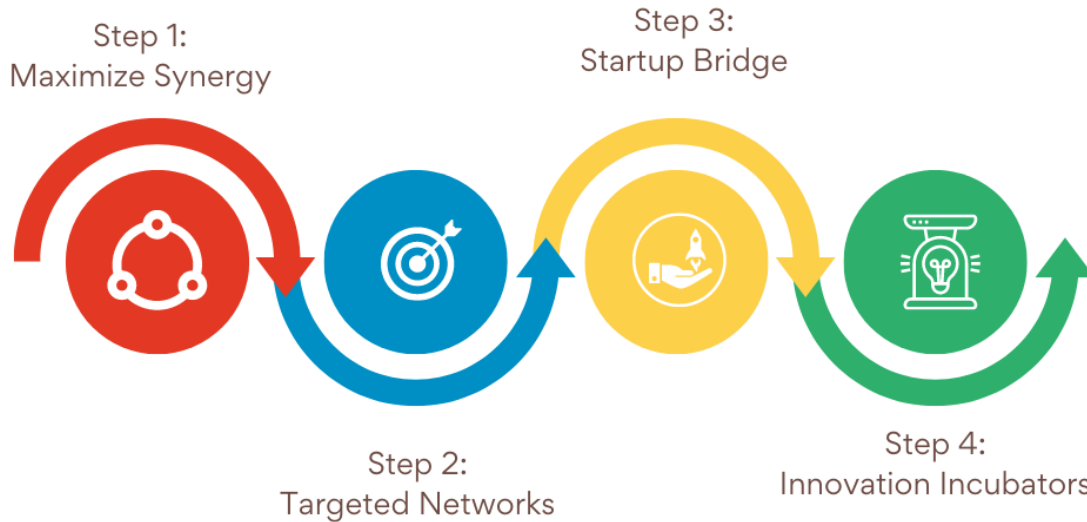
3.1.3 Action 3: Promotion and support of incubators, accelerators and social networks

Creating coordination committees aim to develop the appropriate culture and for Social Innovation. Another important aspect of fostering a positive entrepreneurial environment is the development of infrastructure to support the creation and growth of social enterprises and related initiatives. This includes incubators and accelerator programs, which provide professional support services and resources for entrepreneurs. This action also relates to one of the recommendations given by the report “Social Enterprises and their ecosystems in Europe, Cyprus updated country report”²² who recommended the creation of two social enterprise incubators that will support social enterprise startups for a period of up to 3 years.

Incubators are physical places that host entrepreneurial activities, often featuring open, collaborative workspaces and specialized equipment. Accelerators on the other hand, are mission-oriented programs, typically time-limited and follow a design sprint process (e.g. lean approach) to help entrepreneurs rapidly develop and showcase their solutions to potential investors or customers.

Supporting infrastructure, such as incubators and accelerators, is crucial for providing opportunities for aspiring entrepreneurs to pursue their business goals. By attracting and supporting young talent, it can support the development of more social enterprises for a vibrant Social Innovation ecosystem. Moreover, such supporting infrastructure is important during the early stages of a start-up’s development, when it faces numerous challenges and rising costs before reaching profitability. In addition to incubators and accelerators, Social Innovation can also promote the development of social networks, or groups of people with shared passions and interests. These interests may include environmental conservation, the exploration of cultural identity or the promotion of peace and understanding. Examples of such innovative networks in the region are the Cyprus Circular Economy Network, Cyprus Network of Social Entrepreneurship and GoSocial EU programme.

²² Isaias G, (2019), “Social Enterprises and their ecosystems in Europe, Country Report: Cyprus”, Publications Office of the European Union.



Step 1: Utilizing the maximum value of current incubators, accelerators, and Social Innovation Networks

In Cyprus, there are currently over 7 incubators and accelerator programs, including Chrysalis Leap, Cyprus Inno, Cyprus Seeds and IDEA Innovation Center. Chrysalis Leap is an incubator which supports startups bringing their cleantech ideas to the market. Supporting networks, such as accelerators and incubators, can play a crucial role in the development of the Social Entrepreneurship ecosystem in Cyprus. These spaces can foster creativity and facilitate collaboration and growth for entrepreneurs. It is important for such centres to offer a range of services and regularly provide networking opportunities for a diverse group of stakeholders in the Social Entrepreneurship sector. In addition, some services should be open and freely accessible to a wider range of interested players to help them develop their capacities and make connections. Thus, it is important that such initiatives start to have a more leading role in the development of the Social Innovation ecosystem. Some of them could be ideal facilitators within the coordination committees.

Step 2: Create new Social Innovation Networks in targeted areas

Every town in Cyprus should have at least 2 networks (1 incubator, 1 accelerator) available. Currently, there operate in Nicosia 5 networks (Cyprus Inno, Cyprus Seeds, Nicosia Hub, Idea Innovation Center, Gravity), in Limassol 2 (ARIS, Chrysalis Leap), whereas in Larnaca, Paphos and Ammochostos there are no accelerators or incubator programs available. So, new centres should be created in these 3 regions.

To further support the growth of the Social Innovation ecosystem and boost Social Entrepreneurship, new networks can be developed in underserved areas with high potential

for Social Innovation. Targeted rural coastal and mountain areas, such as Pervolia and Troodos, could benefit from start-up accelerator programs. In Troodos, there is the Troodos Network, a non-profit initiative that supports sustainable rural development through thematic tourism and rural entrepreneurship programs. Thus, existing solutions will greatly benefit Social Innovation centres. These centres can provide the necessary infrastructure and support services for social entrepreneurs to develop their skills and connect with existing companies to find mutually beneficial synergies. It's exactly at such rural locations that social entrepreneurship can flourish, as their communities are facing huge challenges that require innovative solutions.

Step 3: Become the linking factor between start-ups and conglomerates

An innovative example of an accelerator program is the Innsomnia Hub in Valencia²³. This is a start-up accelerator and business digitizer program that promotes collaboration and synergies between large corporations and start-ups. Start-ups selected for the program bring a minimum viable product with the potential to adapt their technology to the needs of their clients, which are large corporations. Most of the start-up's solutions are technology-oriented products and services that can help conglomerates towards their digital transformation. Through offering win-win situations, Innsomnia creates opportunities for partnerships that help bridge the gap between start-ups and established companies. Each startup that enters the hub, has the possibility of collaborating with an average 3 corporations. Some of these startups have experienced qualitative leaps that have taken them from small projects to grow and scale exponentially. The program also promotes trust between the corporate and the start-up world with a unique language: by making challenges and disruptive solutions converge in a friendly, effective and accessible ecosystem. On the one hand, this helps SMEs and large corporations to have access to innovative digital solutions at lower prices, while startups benefit by connecting to key clients and making their products visible to the market.

Lastly, another great initiative by Innsomnia is its specialized programs for targeted clusters that are now in a transformation process including fintech, industry 4.0, smart ports and insurtech. In Cyprus, as stated in the country's "Smart Specialisation Strategy, 2015²⁴" the priority sectors for smart growth include Renewable Energy, Quality Tourism, Marine Transportation and Logistics, Health, Agriculture, ICT and Environment.

²³ <https://innsomnia.es/en/>

²⁴ "Smart Specialisation Strategy for Cyprus", (2015).

Step 4: Establish Social Innovation incubators

As previously mentioned, in Cyprus there are currently several programs that support start-ups and entrepreneurs. However, none of these programs is specifically focused on Social Innovation. To address this gap, it will be valuable to establish one or two specialized Social Innovation incubators in the country. These incubators could provide early-stage financial and technical support, access to networks and individual mentoring to help social entrepreneurs tackle humanity's grand challenges, such as clean and sustainable energy, environmental protection, health and well-being. One example of such a program is the Hatch CoLab²⁵ in Switzerland, which supports impact tech entrepreneurs through a 12-month accelerator and incubation program. The members of this accelerator program tackle challenges related to energy (clean and sustainable, renewable energy), environment (land and water), food (zero hunger), sustainable cities and communities, health and well-being, quality learning (lifelong learning), prosperity, equality and others. By providing specialized support to Social Innovation entities, these incubators can help to stimulate the growth of the Social Innovation ecosystem in Cyprus and encourage collaboration between different stakeholders (specifically targeted areas like quality tourism (health tourism), energy (renewable energy)).

*WHO: a Social Innovation Network will be created and maintained by the National Competence Center by providing a co-working space, as well as expert support by mentors from Cypriot incubator/accelerator programs like Cyprus Seeds, Chrysalis Leap etc, Cyprus Inno etc.

3.1.4. Action 4: Financial and tax incentives for social entrepreneurship

Current financial environment for entrepreneurship in Cyprus

One of the main challenges facing social entrepreneurs in Cyprus is the lack of funding opportunities. The current legislation "Registry of Social Enterprises"²⁶ does not offer substantial of financial benefits for social enterprises in Cyprus. Although it mentions some benefits such as tax exemptions and access to government grants, those incentives are limited and not very attractive.

²⁵ <https://www.linkedin.com/company/hatchcolab/about/>

²⁶ Draft Bill, (2019), "Creation and Maintenance of a Registration Register Social Enterprises Law"

Access to finance is a major challenge for all types of start-ups in Cyprus, including social enterprises. There is limited access to risk funding from private investors, such as business angels and venture capital firms, which may hinder the creation of scalable enterprises in innovative sectors and the ability of existing businesses to innovate and grow. In addition, the financial environment in Cyprus is limited and lacks diversity in resources. Although there are few existing local VCs like Kinisis Ventures and Invelopment Partners. Some more recent ones include Viz Ventures and White Beam Ventures. Local entrepreneurs can mainly rely on bank loans as their main capital raising method. However, banks are often unwilling to offer loans to social enterprises, as they do not prioritize profit over social impact. As a result, social entrepreneurs may have to rely on personal savings or loans from friends and family, which increases the risk of failure and discourages many people from entering the social entrepreneurship field.

Already proposed recommendations to improve the current financial environment

Although there are no existing financial benefits available to social enterprises, some support measures currently exist that can also support social enterprises like the Cyprus Entrepreneurship Fund. Cyprus Entrepreneurship Fund's financial instruments are deployed by local banks selected by the European Investment Fund following calls for expression of interest. These financial intermediaries make available CYPEF's financing to eligible SMEs at favorable terms, in the form of reduced interest rates, reduced collateral requirements, extended loan maturities and grace periods. CYPEF should also be adjusted to meet the financial needs of social enterprises as well.

These include reforms to facilitate and promote alternative financing mechanisms, such as equity funding, and a favourable public procurement framework that allows social enterprises to sell their services to the government. Another recommendation is the creation of a start-up funding scheme with priority access to micro-loans for legal entities that have completed two years of operation. In addition, an electronic portal could be created to inform the public and potential investors about the steps for creating a social enterprise and funding sources available at different stages of development. This electronic portal could be part of the Institute's web platform that will also inform the public and potential investors about potential crowdfunding opportunities. It will also inform new entrepreneurs about the process for applying for grants when creating a new social enterprise, explain the legal steps for creating a social enterprise and showcase available funding opportunities. Such an electronic portal for national and European grants already exists at the Information Portal for Funding

Programs²⁷ under the guidance of Directorate General Growth, Ministry of Finance. However, the Institute's e-portal will be a more simplified process so that visitors can easily identify available funding opportunities for social entrepreneurship.

Additional recommendations for improving the current financial environment

To further improve the financial benefits available to social enterprises, additional targeted financial incentives could be included in the Social Entrepreneurship Legislation. For example, grants could be provided to support private R&D in social enterprises, which would increase R&D investment for the development of more innovative solutions. Synergies and collaborations between different types of players could be supported through funding calls for cluster projects that address Social Innovation competitiveness challenges like the development of specialized infrastructure. This recommendation is designed to empower one of the current strengths in the ecosystem which is the high quality research in universities, which so far has attracted limited attention by the private sector thus resulting in low levels of research commercialization results. Finally, pre-seed financial support including public funding from national and European sources like the ESF+ could be provided for the development of social enterprises, which would allow entrepreneurs to test their ideas and build a solid business plan before seeking external funding.

Improving the financial environment for social enterprises in Cyprus requires a range of measures, including reforms to facilitate alternative financing mechanisms, targeted financial incentives, and support for synergies and collaborations. By taking these actions, the government and other stakeholders can help create a more favourable environment for social entrepreneurs and encourage the growth and development of the Social Innovation ecosystem in Cyprus.

Tax relief for social investment: according to experts, social investment tax relief can be a useful tool to help social economy actors to take on investment and to encourage individuals and corporate investors to put at least some of their money into social projects, at the same time as offering the chance of a steady return.

A recent UK initiative, consisting of the introduction of the world's first social investment tax relief, has been launched to incentivise investors to put their money into social economy organizations that pursue their social mission, at the local, national and international level.

²⁷ <https://www.fundingprogrammesportal.gov.cy/program-major-category/eu-antagonistika-programmata-ee/>

Case Study: UK, Social Investment Tax Relief²⁸

The Social Investment Tax Relief (SITR) offers a reduction of 30% in investors' income tax bill for qualifying investments made in social enterprises, including a charity. SITR also lets the investors defer a Capital Gains Tax charge, if he/she reinvests the profits into a social enterprise. After 3 years, SITR lets the investor sell or give away SITR qualifying investments that have gained in value, without paying Capital Gains Tax.

To comply with EU's state aid rules, the UK government has established that individual enterprises can only receive a certain amount of government subsidized investment. Individual investors can invest up to GBP 1000 000 and can invest in more than one social enterprise.

4. 2nd Area of Intervention: Cultivation of a Social Entrepreneurship culture

Social enterprises do not emerge and operate in vacuum²⁹ on the contrary in communities where the civil society and social economy thrive, social entrepreneurship is more likely to thrive as well. Social Entrepreneurship cannot prosper, unless a series of actions are taken to establish social entrepreneurship culture based on local traditions and the local entrepreneurship culture.

In Cyprus, there is lack or little awareness as to what Social Innovation and social entrepreneurship are, therefore the cultivation of a social entrepreneurship culture is a necessary prerequisite for Social Innovation and Social Entrepreneurship to have a fair chance at prospering. For this purpose, 5 recommendations are put forward for the cultivation of a Social Entrepreneurship culture:

1. Raising awareness among the general public and civil society
2. Promoting social entrepreneurship in education
3. Offering tailored and customized training courses for social entrepreneurs
4. Establishment of InfoPoints for Social Entrepreneurship
5. Creation of the Cyprus Forum of Social Innovation

²⁸ <https://www.centreforpublicimpact.org/case-study/social-investment-tax-relief-scheme-united-kingdom>

²⁹ (OECD, [Guidance note: Social Entrepreneurship Culture | The Better Entrepreneurship Policy Tool](#))

4.1 Action 1: Raising awareness among the general public and civil society

A communication strategy covering the planning period 2023-2027 will be drafted by a team of experts in communication upon agreement with the NCCSI. The communication strategy will set clear and achievable KPIs and objectives while at the same time outlining the tools, directions and priorities of all communication actions. Means and channels will be listed in the communication campaign while target audiences will be categorized based on their demographics, interests and potential involvement with social entrepreneurship. Based on that categorization, the appropriate tools and means will be outlined for safeguarding that appropriate information and knowledge reaches the desired target audience.

Possible channels and tools:

- ✓ Mass Media (newspapers, television, radio stations etc)
- ✓ Social Media (NCCSI website, FB, Instagram, LinkedIn, Twitter, TikTok, Newsletters)
- ✓ Blogs
- ✓ Forums, public events, open discussions, fairs, exhibitions, workshops, training sessions
- ✓ Paid advertisements

Awareness raising campaigns should be organised and implemented, targeting all members of the civil society, stakeholders and the general public with the aim of disseminating knowledge as to what Social Innovation and social entrepreneurship mean and why they should be embraced. Additionally, emphasis should be added on the impact of Social Innovation in society.

Targeted awareness raising campaigns can be designed addressing local authorities offering them incentives to pursue a more active role in the promotion of social entrepreneurship for solving the social problems of their communities. Academics and experts on Social Innovation, in cooperation with the NCCSI (National Competence Center of Social Innovation) can contribute with presentations and participation on local forums, events, public discussions and Mass Media channels. Using simple language and examples of best practices, they will draw the attention of civil society, local authorities and the general public and respond to questions and concerns their audience may have.

4.2 Action 2: Promoting social entrepreneurship in education

A means to achieve the cultivation of a social entrepreneurship culture is through its introduction to all levels of education starting from kindergarten up to tertiary education. Discussion on introducing entrepreneurship on formal curricula dates back to the previous decade when the Cypriot Ministry of Education, Sports and Youth affirmed that a strategy for introducing entrepreneurial education at schools was well under way. Based on the Euridice report published in 2016, Cyprus was in the process of developing a specific strategy. Since then, the proclaimed commitment to do so is still there without however achieving much towards the desired goal. Entrepreneurial education in all levels of education, will not only help students to obtain entrepreneurial skills and attitudes but it will also help them develop skills necessary for the labour market and their adult life. By including entrepreneurial education to formal curricula, social entrepreneurship will also be promoted as a means of tackling social issues cultivating a culture of Social Innovation on the whole.

More specifically social entrepreneurship in early education (kindergarten and primary education) can be cultivated through a series of non-formal and formal teaching methods and practical, hands-on experience where students will be able to learn by doing. Teachers can be trained to offer courses specifically designed for young students which will enable them to develop social and entrepreneurial competences such as creativity, leadership, time-management etc. What is more, with the introduction of entrepreneurship and innovation at schools, social entrepreneurship can be taught as a means of tackling social inequalities and promoting social inclusion.

The Example of Victoria Park Primary Academy³⁰

Victoria Park Primary Academy in Smethwick has worked in collaboration with Real Ideas Organization in order to transform its way of learning. In this effort, the school utilizes the principles of social enterprise as a pedagogical approach from foundation up to Year 6 students. Social entrepreneurship is embedded in the schools curriculum and children have the opportunity to take part in real challenges. The school's decision to turn to social entrepreneurship training and shape its own curriculum which focuses on problem solving of

³⁰ <https://victoriaparkacademy.org.uk/>

real-world problems, has transformed it from a failing school to an OFSTED rated outstanding one³¹.

In secondary education, emphasis can be placed in the development of those skills/competences that promote social entrepreneurship such as spotting opportunities (spotting a social problem within the community) and quickly take advantage of it (prove a product/service for solving it through Social Innovation and social enterprises). Courses will be tailored to the needs of the labour market and the countries societal problems. They may include digital skills, understanding the Business Model Canvas, measuring Impact, pitching, and a series of other courses that promote the cultivation of an entrepreneurial mindset with focus on social entrepreneurship.

The case of Junior Achievement Cyprus³²

Junior Achievement Cyprus, is a member of JA Worldwide an international NGO with a mission to inspire and prepare young people to succeed in global economy and help them develop the skills and mindsets to tackle social and personal challenges. JA Cyprus through its 12 programmes embracing students from primary to higher education has managed to reach over the years more than 150.000 students in Cyprus. JA's Company Programme allows secondary education students (aged 15-18) to experience the entire process of realising a business idea. The programme lasts for an entire academic year and students participating in the process alongside the teachers who accompany them and mentors from the business world, can experience all stages of building a business and creating a product or service. Results from student's participation in the Company Programme show that over 70% of the students, report gaining entrepreneurial skills while over 60% support that their participation in the programme will pursue entrepreneurship in the future.

In Tertiary Education, social entrepreneurship and innovation can be introduced as part of the syllabus of undergraduate and postgraduate programs of study in relevant Schools like Schools of Economics or Business. An introductory course on Social Economy and Social Entrepreneurship can be introduced as a means to attract students' attention on the

³¹https://www.britishcouncil.org/sites/default/files/british_council_social_entrepreneurship_in_education_web_final.pdf

³² <https://jacyprus.org/en/>

undergraduate level to be followed by academic research on the fields of measuring social impact and citizen-controlled finance for those interested to further their studies in the field.

The incorporation of Social Innovation and Social Entrepreneurship in Education can only be achieved through the close cooperation and support of the Ministry of Education, Sports and Youth of Cyprus with the NCCSI. Valuable support can be offered by the Youth Board of Cyprus and Cyprus Youth Council that can support non-formal educational activities and workshops for social entrepreneurship and innovation in co-operation with the NCCSI.

The Case of the University of Cyprus and Cyprus University of Technology³³

Cyprus University of Technology in collaboration with the University of Cyprus, has announced, for the academic year of 2023-2024 a new master's Programme titled Design for Social Innovation. This is one initiative of significant importance since it is among the first Masters (if not the first to focus on Social Innovation). Moreover, the master's Programme it is an interdisciplinary effort of 3 major departments on both Universities, the Department of Architecture and the Department of Business and Public Administration from the University of Cyprus and the Department of Multimedia and Graphic Arts from the Cyprus University of Technology.

4.3 Action 3 Offering tailored and customized training courses for social entrepreneurs

For social entrepreneurs to thrive and their entrepreneurial ventures to have an impact on the Cypriot Society, it is of outermost importance to have substantial training and knowledge of the Third Sector and especially of Social Economy. Training courses can be offered as follows:

- Short Introductory Course. Aiming to introduce interested parties and/or members of vulnerable groups of people with social entrepreneurship, these courses can be offered as a 4 days (5 hours per day) bootcamp where participants will have the opportunity to learn the basics on social economy, social entrepreneurship, best practices, business model canvas etc.
- Social Entrepreneurship Course. An elaborate course following up the introductory course which can be attended by participants in the short introductory course or other interested individuals with substantial knowledge. The course will be a 4-week intensive course (100 hours of lessons) with the possibility to offer micro credentials for the attendees. Topics to be taught, include among others:

³³ <https://dsi.education/>

- Development of entrepreneurial idea
 - Social impact of the enterprise
 - Development of business model
 - Marketing course for social enterprises
 - Funding and taxation
- Guidance from Social Entrepreneurs. In cooperation with successful local and foreign social entrepreneurs a series of lectures will be planned for sharing experiences, knowledge gained and good practices. Topics of lectures will embrace a wide range of issues, from setting up a social enterprise to upscaling an existing one and measuring impact.

4.4 Action 4: Establishment of InfoPoints for Social Entrepreneurship

The establishment of 5 Infopoints in the 5 major cities all over Cyprus will be of crucial importance for the cultivation of a social entrepreneurship culture. Infopoints will be entrusted with a multidimensional role since not only they will provide information about social entrepreneurship and the newly adopted legislation for social enterprises but they will also work as the means for bringing together local authorities, the business world and the social enterprises ecosystem. InfoPoints for Social Entrepreneurship will also provide tailored counselling services to future social entrepreneurs in matters of registration, grants, networking etc.

Some indicative activities to be organized by the InfoPoints are:

- Provision of expertise to upcoming social entrepreneurs.
- Promotion of products/services produced by social enterprises.
- Promotion and planning of positive social impact activities in cooperation with the local ESF+ and local authorities.
- Infodays for social enterprises and local authorities to meet up and form synergies.

4.5 Action 5: Creation of the Cyprus Forum of Social Entrepreneurship

Networking with other social enterprises can work as a tool for sharing and exchanging information, knowledge and experience among social entrepreneurs. Members of the Forum will be existing social enterprises and start-ups that wish to establish themselves as social enterprises. Additionally, NGOs and companies with social orientation will be able to participate in the Forum and its activities. The Forum's aim will be for its members to participate in discussions and planning of policies and activities regarding social entrepreneurship and social economy in general. In the long-run, the Cyprus Forum of Social Entrepreneurship will

become the means through which social entrepreneurs will be able to share their knowledge and shape future policies regarding social entrepreneurship in Cyprus. The Forum will also uptake the task of cultivating a positive environment and working towards creating the necessary precondition and infrastructure for social entrepreneurship to flourish in Cyprus.

Indicative actions:

- Creation of a common mailing list from where information will be disseminated about events.
- Creation and dissemination of monthly newsletters.
- Planning and implementation of conferences and workshops.
- Participation in relevant European Forums.
- Participation in meetings with national and local authorities for policy reforms and tendering procedures.
- Creation of local networks of social entrepreneurs all over Cyprus.

5 3rd Area of Intervention: Facilitation of Access to Financial Resources

The 3rd area of intervention came out of insights gathered during an extensive research phase conducted in the framework of the Cyprus Mapping Report for the FUSE project. Interviewees mentioned that one of the biggest challenges for social entrepreneurship in Cyprus is the lack of financial resources available for all types of start-ups, including social enterprises. Thus, the introduction of sustainable and innovative finance solutions is essential to stimulate the emergence of a strong social economy.

Up until now, local entrepreneurs rely mostly on bank loans, personal savings or money raised from friends and families, which increases the risk of failure and may discourage a lot of people from entering the social entrepreneurship field. Local entrepreneurs can rely on bank loans as their main capital raising method (even though expensive), but banks are often unwilling to offer loans to social enterprises, as they do not prioritize maximizing profits and shareholder returns. The Stock exchange market in Cyprus does not favour social enterprises either. It only includes limited well-established companies and there is not a lot of demand too. Also, there is limited access to risk funding from private domestic and international investors, such as business angels and venture capital firms. All these financial inefficiencies may hinder the creation of scalable enterprises in innovative sectors and the ability of existing businesses to innovate and grow.

5.1 Action 1: Funding for start-up social enterprises

The recommended financing options are given on the basis of supporting enterprises that are still in their early years of operations. They include existing funding opportunities that need further improvement and additional targeted actions that reflect the needs of social entrepreneurs and can provide feasible solutions in a competitive environment.

A. Current financial environment

As always, the first step is the exploitation of already available resources in the market. Current performance illustrates that available financial resources have not been effective yet; thus, recommendations should be targeted to modernize and improve their impact.

1. EU Funds

At the EU level, the development of innovative funding programs constitutes one of the most effective ways through which the EU has been supporting the social economy's presence, promoting the provision of key services as well as the creation of jobs and fostering social

inclusion. In general, EU funds have proven to be vital instruments in supporting the social economy in Member States.

a. ESF+³⁴: European Social Fund+ is the EU's main instrument to invest in people. ESF+'s priority is to support Social Innovations that can help repair the economic and social damages brought by the pandemic, in order to kick start the recovery process and create new jobs that will address current and upcoming societal challenges. The National Competence Centers for Social Innovation that will be initiated through the FUSE project will have a primary role to improve the effectiveness of ESF+. This includes offering to local Managing Authorities (e.g. European Funding Management Unit), management support and a platform for learning and designing better Social Innovation project calls that reflect beneficiaries' needs at each phase of their project life cycle. It will also train public leaders and officials to deepen awareness on the benefits, characteristics and potential bottlenecks for the ESF+ support Social Innovation. It can also create links between ESF+ and national policies, and to help ensure that learning is transferred between ESF+ initiatives and policy agendas. For the period 2021-2027, the Commission proposed that the ESF+ has a budget of more than €87 billion. The Cyprus budget for the same period was more than €300m, with the €222m included in the Cohesion Policy Fund "Thaleia" program³⁵.

ESF+ suggests that Member States will be required to select Social Innovation as a priority axis - dedicating at least one priority to the implementation of a) Social Innovation and social experimentations, b) the upscaling of innovative approaches tested on a small scale (social experimentations). This marks a significant reinforcement of Social Innovation as a priority of the ESF.

b. EaSI³⁶: The EU is enabling access to investments of up to €500,000 through the Programme for Employment and Social Innovation (EaSI). Available support includes a guarantee, capacity building investments, a funded instrument and advisory support for social enterprise finance providers.

c. EFSI³⁷: In addition, equity investments in social enterprises have been piloted under the European Fund for Strategic Investments (EFSI) Equity instrument, namely via funds

³⁴ <https://ec.europa.eu/european-social-fund-plus/en/esf-social-innovation>

³⁵ <https://eufunds.com.cy/cohesion-policy/european-social-fund-esf/>

³⁶ <https://ec.europa.eu/social/main.jsp?catId=1081>

³⁷ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/economy-works-people/european-fund-strategic-investments_en

linked to incubators/accelerators and co-investments with social business angels. In addition, the Employment and Social Innovation (EaSI) strand under the European Social Fund Plus will complement the InvestEU instruments with EU level support for the development of social enterprises, the emergence of a social investment market, and the development of the market ecosystem around the provision of microfinance.

d. European Social Entrepreneurship Fund: to help social enterprises get easier access to finance and aid investors to identify investments in social enterprises.

2. Venture Capitals

Even though in Cyprus there are currently over 446 startups and scaleups that are worth €3.7bn in combined enterprise value, there are only a few active VCs in our ecosystem. Some of the existing local VCs include Kinisis Ventures, Invelopment Partners, Capacitor Partners, WhiteBeam Ventures, Viz Ventures. There is also an active business angel investment network called CyBan.

Even though the local venture capital market is not very big yet, Cypriot talent has risen and flourish at an international level. Start-ups by Cypriot entrepreneurs that succeeded in raising money on pre-seed and seed stages include Plum, Malloc, Trouva, Theramir Ascanio, Avrio, Heroes Made and others. All these examples however involve private enterprises which have already proven to be profitable. Thus, social enterprises, which put social impact above profits are facing huge barriers for raising capital in a short-term profit-oriented environment.

Thus, we are recommending that a new Venture Capital should be formed in Cyprus that will invest solely in social enterprises. This Social Impact Venture Capital can be a partnership model between the government, individual investors (or donators) and private companies (who want to invest in sustainable companies or invest in CSR actions). There are a lot of Cypriot donors that over the years have donated their money for initiatives tackling societal challenges like Stelios Hadjioannou who aims to financially support philanthropic efforts in Cyprus, offering also annual bi-communal awards. AG Leventis Foundation has also a significant involvement in the study and conservation of the cultural heritage of Cyprus.

Investing at a pre-seed stage, where a social enterprise has not yet proven its impact will be a challenging phase. Thus, we are proposing that the VC should establish some key criteria to assess the potential impact of proposed solutions. This can be similar to the Social

Innovation Fund³⁸ established in Portugal which co-invests in equity alongside private investors and provides guarantees for loans. This fund has also created an impact assessment model to that measures social enterprise' Impact (in people's lives), Efficiency (adequacy of the resources mobilized in relation to the goals that were set), Replicability (ease of replication), Influence on public policy (potential), Sustainability potential. Another tool that has been developed by the Belgian EQUAL financial partnership is the measurement of the Social Return on Investment which can assist policy makers in achieving better value for money in public spending. The Social Return of Investment supports social enterprises to understand and enhance their social impact in addition to the financial results.

3. National Funds for Social Innovation

At the national level, many countries like France, Lithuania, Slovenia, Spain and the UK, introduced direct support schemes specifically designed for the social economy entities. These public financial schemes take various forms, including the provision of grants, subsidies, loans, financial compensations etc.

- a. **Research and Innovation Foundation:** RIF³⁹ is the national authority in charge of supporting and promoting research, technological development and innovation in Cyprus.

New calls for proposals Cluster 2 "Culture, Creativity and Inclusive Society" 2023-2024: the European Commission, announced on 6th of December 2022 the work program 2023-2024 of the framework program for Research and Innovation of the EU "Horizon Europe: 2021-2027. The budget of the new work program is more than €500m and is divided into 3 thematic destinations: innovative research on democracy and governance, innovative research on European Cultural Heritage and Cultural and Creative Industries – building our future from the past, and Innovation research on social and economic transformations. In the frame of these 3 categories, 7 calls for proposals are expected to be announced, including 56 different topics.

- b. **CYPEF:** The Cyprus Entrepreneurship Fund aims to support SMEs and start-ups, providing financial support through an equity (co-investment) and/or quasi-equity contribution.

³⁸ https://inovacaosocial.portugal2020.pt/en/?doing_wp_cron=1678091284.3249270915985107421875

³⁹ <https://www.research.org.cy/>

- c. **Enterprise Europe Network Cyprus:** A network that provides free of charge integrated support services to Cypriot enterprises wanting to invest in entrepreneurship, knowledge, research, technology and innovation.
- d. **Prosero:** to strengthen and modernize the role and the action of the voluntary and non-governmental organisations of the country, to encourage citizens' participation in the community and to cultivate volunteering and active citizenship among young people.
- e. **Invest Cyprus (CIPA):** is the national investment promotion agency dedicated to attracting and facilitating foreign direct investment into the country.
- f. **Cyprus Equity Fund:** manages a new pool of funding to support innovative companies and startups based in Cyprus.
- g. **THALEIA 2021-2027:** a national program that supports smart entrepreneurship, promotes green enterprises and the creation of new jobs. The total budget of €1,81bn includes €222m from the ESF+.

4. **Microfinance - Microcredit / microloans**

Micro-enterprises are enterprises employing fewer than 10 people and which have an annual turnover or annual balance sheet total or maximum €2 million. They represent over 90% of European enterprises and are thus decisive for boosting jobs, growth, and investment in Europe.

Lack of access to finance is one of the main obstacles micro-enterprises face. Microfinance, which includes guarantees, microcredit, equity and quasi-equity extended to persons and micro-enterprises that experience difficulties accessing credit, can help overcome it. Microcredit is a loan of up to €25,000.

For vulnerable groups with a difficult access to the conventional credit market, for start-ups, as well as existing micro-enterprises, a significant unmet demand for microfinance exists. Therefore, the Commission is helping entrepreneurs access financing by supporting microcredit providers through the Employment and Social Innovation (EaSI) programme. The Commission also supports microfinance via the European Social Fund.

Microcredit enables social enterprises to face the challenges of accessing long-term finance. Even though it's a recent phenomenon, microcredit has supported financial inclusion by giving women a voice, purchasing power, and negotiating capacities in countries where their social and financial position is limited.

The European microcredit market is a young and growing sector which is quite heterogeneous due to the disparity of the legal and institutional frameworks in the Member States and the diversity of the microcredit providers. Consequently, lending practices in microcredit vary considerably.

5. **Social Banking**

Except for micro credit finance, there is also the concept of social banking. It describes the provision of banking and financial services that consequently pursue, as their main objective, a positive contribution to the potential of all human beings. In social banking, the focus is on “satisfying existing needs in the real economy and the society, whilst simultaneously taking into account their social, cultural, ecological and economic sustainability.” Generating a monetary profit is not an end but a frequent prerequisite to guaranteeing the necessary flexibility for pursuing its objective in a continuously changing environment. Recently, this sector has received support from different member states.

Significant examples of national measures undertaken to support social banking have been found in the UK and France. In the UK, the government set up the world's first social investment wholesales – Big Society Capital (BSC). BSC is an independent financial institution with the social mission to help promote the growth of the social investment market. BSC acts both as an investor, having a transformative impact on the social investment market in the UK by supporting social investment finance intermediaries to become financially robust and able to attract greater and more diverse sources of investment and as an advocate, increasing awareness of and confidence in social investment. In France, the government launched a Public Investment Bank (Banque Publique d'Investissement – BPI), in December 2013. It provides loans to social enterprises and in particular to those that struggle to secure loans. Specifically, the bank offers loans targeted at social economy entities; the “Prêt Economie Sociale et Solidaire” (PESS) provides loans of amounts between €10 000 and €50 000 to SMEs, which are covered by the law on the social economy (see France case study in the annexes for more information).

5.2 Action 2: Establishment of alternative means of funding

This action includes alternative means of funding which can be available on different stages of an enterprise's life cycle. For social enterprises, citizen-controlled finance can be one of the most appropriate options. In broad terms, it is a form of financing instrument where citizens

pool their financial resources to fund initiatives that create common goods. The two most common and relatively advanced forms of Citizen Finance are crowdfunding and financing through cooperatives.

A. **Crowdfunding**

Crowdfunding can be defined as a collective effort by individuals, groups and enterprises to pool their money together. Although this form of financing is not new, it became popular after the financial crisis of 2008. Additionally, it has benefited from technological advancements, a favorable macroeconomic environment and relaxed regulatory financial control in the online sector (Jenik et al 2017)⁴⁰. The advantage of the crowdfunding mechanism is its fast implementation possibilities. It also reduces the number of intermediaries needed for a transaction. It is a non-traditional financing method that uses citizens' personal investments. It can become a platform that creates direct connections between citizens and social enterprises. This innovative funding mechanism has 3 main components: raising funds in small amounts, from many to many, using digital technology (Jenik et al, 2017). Typically, capital raised through crowdfunding is transferred to the owners who then reserve the responsibility to maintain the assets in the long term.

Crowdfunding can also be promoted by local authorities. When local authorities partner up with a crowdfunding platform, this allows for communication of citizen's preferences through the financial support of a specific project, thus making them co-decision makers as well as co-founders of territorial development initiatives (Passeri, 2019).

Some years ago, Cyprus had its own crowdfunding platform called "We Hug A Cause" that supported individuals with innovative ideas, start-ups, artists, entrepreneurs, organisations and bi-communal projects or initiatives. Recently, the first regulated investment-based crowdfunding platform has been introduced in the market called Crowdbase.

A great crowdfunding platform is called "Windcentrale"⁴¹, one of the top renewable energy crowdfunding platforms in The Netherlands. The investments were coming from private individuals who wished to own windmills and use the energy generated in their households. On average, each investor received around 500 kWh per year, which is sufficient to cover their energy costs for the next 12 – 15 years, with an attractive return of 7% (Renewable Energy World, 2014).

⁴⁰ Jenik I, Lyman T & Nava A, (2017), "Crowdfunding and Financial Inclusion", Working Paper

⁴¹ <https://ponooc.vc/ventures/windcentrale/>

B. Cooperatives

Cooperatives are autonomous associations with voluntary membership that work together for their mutual social, economic and environmental benefit (Europe Cooperatives, 2015). In comparison to crowdfunding, cooperatives are more suitable for long term profits as they take a long-term financial view. Cooperatives are also economically more resilient than purely commercial enterprises. The reason for this is that they are collectively managed, which allows them some flexibility during times of economic instability.

This form of citizen financing seeks to address both members' and community needs. They raise financial support through collective membership fees rather than donations or external funding (Europe Cooperatives, 2015). A cooperative business model is usually established by a non-for-profit community organisation where citizens invest through a cooperative body. Both citizens and municipalities can purchase shares in the cooperative and so become members. They then have input and thus influence decisions such as investment action, product pricing etc. In Cyprus, there are more than 190 currently active cooperatives.

A great example is Mouscron's community energy model (COOPEM)⁴² "Joint investment cooperative". This cooperative engaged the citizens, businesses and municipality of Mouscron, Belgium. The cooperative offered technical and financial support and assistance to households and businesses at all stages of investing in solar energy (Bolle, 2019)⁴³. Therefore, making it a 'one-stop-shop' in order to change to renewable energy and help support the city of Mouscron in meeting its commitments to the EU Covenant of Mayors as well as reducing energy costs for all involved. There was a mix of stakeholders and shareholders who were involved in the COOPEM cooperation. Both the city and the citizens had shares in the cooperative. Company shareholders benefited financially from the positive returns on their investments and they were able to directly influence the transition to sustainable energy and cooperatives decisions (Bolle, 2019). The project admits that there was a favorable political will and good structural conditions which helped the project flourish.

⁴² <https://www.renewables-networking.eu/documents/Case-Study-Mouscron-BE.pdf>

⁴³ Bolle, A., 2019. How Cities Can Back Renewable Energy Communities. Guidelines for Local and Regional Policy Makers. Energy Cities, Brussels. Available at: <https://energy-cities.eu/wp-content/uploads/2019/06/EnergyCities_RNP_Guidebook_Web.pdf> [Accessed 30 April 2020]

5.3 Action 3: Funding of operational social entrepreneurship ventures

For operational social entrepreneurship ventures to continue showcasing important social impact, the creation of a financial instrument for medium-term support for social and economic development is needed not only for the expansion of their operations, but also for strengthening their sustainability prospects. The creation of a financial instrument in cooperation with a national financial institution that will be responsible for providing microfinance with a maximum financing amount of EUR 50,000 at a favourable interest rate (at least 50% lower than that offered on the market) will be a mean to safeguard that operating social enterprises will have a funding resources for expanding their operations or for achieving sustainability. Financing should be available for all those social enterprises that are already registered in the official Social Enterprises Registry.

Social enterprises that have been in operation for two (2) years will have priority for loans. For securing the loans and safeguarding that there will be availability for the financial institution to provide the loans, the financial institution will be able to benefit from European programmes and initiatives as well as state support.

5.4 Action 4: Introduction of the Social Impact Bonds

Social Impact Bonds (SIBs) have gained significant attention over the last years in the aftermath of the financial crisis that has greatly impacted all countries worldwide. SIBs are an innovative financing mechanism through which governments enter into agreements with social enterprises and investors for the delivery of social services⁴⁴. According to the European Commission, they are a means to improve the effectiveness of public investments but also an important funding resource for social enterprises (European Commission and ICF, 2014c).

The philosophy behind the issuing of a SIB is based on the intention of investors who are interested on funding social impact programmes with positive social impact rather than on financial turnout of their investment. With the issuing of SIBs, national authorities can find the necessary funding for programmes and actions of positive social impact that were not able to fund before. On the other hand, the involvement of investors from the private sector paves

⁴⁴ <https://www.oecd.org/cfe/leed/UnderstandingSIBsLux-WorkingPaper.pdf>

the way for private funds to be used for the achievement of positive social impact with lesser risk for failure.

The process of issuing a SIB is rather straight forward, with the State entering into a contractual agreement with an intermediary (or issuing body bond agency) that will be responsible for raising funds from independent investors, including banks, institutions and individuals. The money gathered, will allow public authorities to encourage and develop socially responsible and sustainable development and to encourage social enterprises to engage in similar business ventures. The SIB will work like any other bond except that the investor will receive returns based on the degree of success of the purpose for which the bond will be originally issued. That is, in the event that there are also positive financial results besides the positive social impact results, part of the savings is returned to the investors. A SIB cannot be considered as a loan since the repayment and return on investment depends on the achievement of the desired social outcomes. If the objectives are not achieved, the investors receive neither a dividend nor a return of capital. The State is required to pay the investors if and when the purpose of the bond is achieved. If the measurable objectives are met, and in accordance with the terms of the bond, then the State pays back the bond through the savings collected.

SIBs will work in favour of new-found and existing social enterprises that lack the funding for kick-starting their operation or even for scaling-up. By removing the risk and the supervision from the state, procedures become faster and more effective. However, the entire process of issuing the SIBs and monitoring the entire process should be directly monitored from the State and regulated by public legislation.

The Case of the UK

In the UK the first SIB was introduced in 2010, known as One Service Peterborough. Ever since, a big number of SIBs where introduced as a means to combat tantalising social issues such as health services, access to education, homelessness, migrant integration etc. In July 2016, the Life Chances Fund was introduced with a budget of 80 million GBP. The Life Chances Fund was launched with the aim, among others, of increasing the number and scale of SIBs in England and increasing the amount of capital available to voluntary community and social enterprise. The Life Chances Fund is currently supporting 29 projects all over England on a variety of social issues.

6 The National Competence Center for Social Innovation in Cyprus (NCCSI)

At present, the Cypriot Social Innovation ecosystem exemplifies a Regional Innovation Paradox, “which is characterized by the apparent contradiction between the greater need to spend on innovation in lagging regions and the relatively lower capacity to absorb public funds earmarked for the promotion of innovation compared to more advanced regions” (Oughton et al, 2022).

The EKQN National Competence Center for Social Innovation has the potential to become the leading facilitator of a collective process in the social entrepreneurship community in Cyprus, owing to its ideal values and specialties that can drive such a collective, positive social change. It can serve as the linking player of the social entrepreneurial ecosystem to work effectively and efficiently. The Competence Center will be acting out as the hub that brings together stakeholders (policymakers, local authorities, the local ESF+, etc) and the ecosystem of Social Innovation

The EKQN National Competence Center should follow a servant leadership character and put emphasis on collaboration, trust, empathy and ethics. The assumption is that if leaders focus on the needs and desires of followers, followers will reciprocate through increased teamwork, deeper engagement, and better performance, which are all crucial outcomes for the sustainable development of the social entrepreneurial ecosystem. During its early stages of development, EKQN should also offer activities that it can perform the best and strategically utilize them to achieve greater impact and benefits in the Cypriot social entrepreneurial community. Lastly, given that social enterprises are still at an emerging level of development in Cyprus, EKQN should be a role model of an innovative social enterprise, inspiring and educating other members in the community to follow a similar example.

6.1 The National Competence Center for Social Innovation in Cyprus (NCCSI)

The NCCSI will play a crucial role as the hub and facilitator of collaboration, coordination, and knowledge exchange among these sectors. It will serve as a platform for stakeholders from academia, the public sector, industry, and civil society to come together, share ideas, resources, and expertise, and collectively work towards the advancement of social innovation and entrepreneurship in Cyprus.



Specifically, the NCCSI will act as a bridge between the responsible authorities in the public sector, such as the ESF+ (European Social Fund Plus), ministries, and local authorities, and the social entrepreneurial community. It will facilitate communication and cooperation between these entities, ensuring that public funds earmarked for the promotion of innovation are effectively utilized and absorbed by the social innovation ecosystem in Cyprus.

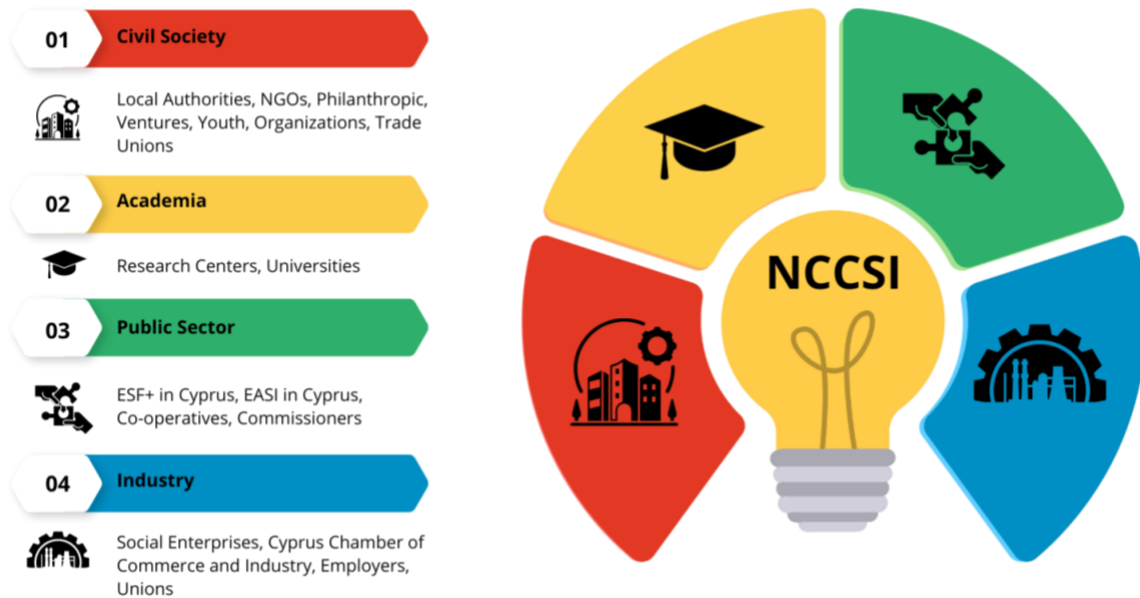
Furthermore, the NCCSI will support the scaling up of existing social enterprises and provide assistance for the development of new social innovation startups. By offering specialized programs, mentoring, networking opportunities, and access to resources, the NCCSI will contribute to the growth and sustainability of social ventures in Cyprus.

Overall, the NCCSI will act as a catalyst for social change, fostering a collaborative environment where stakeholders from diverse sectors can come together, exchange knowledge and experiences, and collectively drive the social entrepreneurial ecosystem towards greater impact and success.

The NCCSI in Cyprus, will be placed at the center of all activity regarding not only the theoretical promotion of Social Innovation and entrepreneurship but also the practical promotion of scaling up existing social enterprises and the support for the development of new Social Innovation startups.

The NCCSI will be the intermediary between the responsible authorities in public sector (ESF+, Ministries, Local Authorities), the civil society in Cyprus and social entrepreneurs (Local Social Entrepreneurship Ecosystem).

Based on the operational model of the Quadruple Helix, the NCCSI will bring together members of the four sectors affecting the entrepreneurial ecosystem in Cyprus, namely Academia, the Public Sector, Industry and Civil Society.



Since in Cyprus the Social Innovation and Social Entrepreneurship ecosystem is at an early stage, the NCCSI will also be responsible for finding and involving all those stakeholders necessary for supporting the ecosystem's growth and its sustainability. An independent, robust NCCSI operating with the support of all above sectors with clearly defined role, duties and jurisdiction, will be the foundation for an equally robust Social Innovation and social entrepreneurship ecosystem in Cyprus.

The establishment of the NCCSI in Cyprus will be divided in two phases reflecting on the need to raise awareness about Social Innovation in Cyprus.

The first phase will be the establishment phase (first 2 years of operation) where the NCCSI will be:

- Operating as a hub for Social Innovation and Entrepreneurship in Cyprus
- Conducting research and surveys in Cyprus regarding the status of Social Innovation and entrepreneurship on a national level
- Devising a strategic plan for the NCCSI's operation
- Providing expert advice to the local ESF+

- Supporting the local ecosystem with networking events with already well-established and flourishing European ecosystems
- Providing information about funding and establishment of social enterprises

The second phase (after the second year of operation) where the NCCSI will be:

- Providing incubator and accelerator services
- Validating best practices for Social Innovation in Cyprus
- Establishing the Cyprus Institute of Social Innovation
- Facilitating the exchange of practices at policy level with other EU states and Social Innovation applications.

6.1. The Institute of Social Entrepreneurship

EKQN, will undertake the task of establishing an Institute of Social Entrepreneurship which will be operating as a part of the Competence Center. This Institute will support the development of an innovative culture whilst adding a new player that will cover existing gaps in the ecosystem. The Institute can be responsible for mapping the ecosystem's stakeholders, monitoring the ecosystem's performance, and recommending solutions for integrating Social Innovation into the country's smart specialization strategy. This area of intervention can also improve the ecosystem's supporting infrastructure and factor conditions. Moulaert et al (2013 b)⁴⁵, who relate Social Innovation to territorial development, refer to action research as the most suitable methodological approach for understanding and analysing Social Innovation.

Institute's Roles and Responsibilities

a. Establishment of commonly accepted terminology

One important role of the Institute of Social Entrepreneurship is to establish a commonly accepted terminology. Social Innovation and social entrepreneurship terms have long been debated between academics and researchers and still there is not a unified accepted terminology about them. Before opening its doors to the public, the institute could invite key Social Innovation stakeholders to participate in team activities that will help come up with

⁴⁵ Moulaert F, MacCallum D, Hillier J (2013b), "Social Innovation: intuition, precept, concept, theory and practice", The International handbook on social innovation. Collective action, social learning and transdisciplinary research,. Edward Elgar, Cheltenham, pages 13-24.

commonly accepted terminology and agree on the institute's vision and values. This will help to create a shared understanding and foundation for the institute's work and for the broader Social Innovation ecosystem in Cyprus.

b. Mapping of the Cypriot Social Innovation stakeholders

There are still lots of newcomers' social entrepreneurs who are not in the radar of the Social Innovation ecosystem. There are also existing organisations that are investing more in ESG and CSR actions and can now be considered as additional players in the ecosystem. Even more, existing stakeholders are scattered and not linked between them. Most of them do not know anyone else except from their close network partners. As the ecosystem is still in its early stages of development it's very important to map its players accurately. This will help to create a shared understanding of the ecosystem's players and their actions and facilitate connections between them. By gathering all important information in one source, the institute can turn into a key point of contact for anyone interested in participating or collaborating with the ecosystem's players. Thus, contributing to the sustainable development of the ecosystem. Mapping the ecosystem and conducting research will be key responsibilities of the institute.

c. Monitoring the performance of the Social Innovation ecosystem (impact indicators)

It is also important to monitor not just the number of entities in the ecosystem, but also their performance over time and their impact on society, the local economy and the environment. Monitoring the ecosystem's performance over time will help to facilitate Social Innovation by organising the process of change as a learning experience. Monitoring performance in a consistent and formal way increases empowerment, collaboration and shared leadership among ecosystem's players.

Even more, the establishment of Impact Indicators it's very important for monitoring and measuring suggested policies. It can also help individual Social Innovation entities to measure effectively and efficiently their impact. In order to collect these data efficiently, it is suggested that the Institute designs a specific template with key questions to ask for all ecosystem's stakeholders during the mapping procedure. It will also be important for the Institute to have its own web platform where all stakeholders will be registered, and data will be shared in an accessible and insightful way. Through the platform, the members can easily submit new data every year to accurately monitor performance over time. By collecting this data, the institute can understand the effectiveness of current actions and strategies, identify areas for improvement, and generate recommendations for policy makers. The institute can also share best practices and great examples of Social Innovation with its members. "Overall, monitoring

performance is a keyway to foster mission-oriented and responsible research and innovation, and to acknowledge that the economic, social, and environmental elements of progress cannot be easily separated⁴⁶."

d. Recommendations for more targeted policies for the development of Social Innovation

One of the key responsibilities of the Institute of Social Entrepreneurship is to provide recommendations for improving the regulatory and legal framework for Social Innovation in Cyprus, which is still in the development phase. By bringing together policy makers with social entrepreneurs, citizens and academics, more informed and inclusive regulations can be designed.

Apart from regulatory recommendations, the institute should also propose new policies and actions that will support the development of the country's smart specialization strategy. Smart specialization strategy is a recent phenomenon, and its success stories so far tend to focus mostly on small regions, like Cyprus. "This might indicate that structural change is more possible in relatively small regional economies where a successful entrepreneurial discovery process can really lead to a transformation of an existing ecosystem⁴⁷." Smart specialization also favours the structure of clusters. "A region's ability to compete in its array of clusters, with higher productivity has the decisive influence on the region's prosperity⁴⁸." One way that the Institute can support the development of smart specialization in Cyprus is by providing recommendations for the integration of Social Innovation in its key priority sectors. The latest Cyprus S3⁴⁹, has identified key sectors where the region has comparative advantage, including agriculture and tourism whilst at the same time, it promotes other sectors which are currently underperforming but have a great potential in the upcoming years like energy (renewable energy), health and marine transportation and logistics. The recommendations can involve identifying opportunities for social entrepreneurs to contribute to the development of these targeted sectors by addressing societal challenges relevant to them. For example, in the energy sector, Social Innovation can play a key role in promoting the adoption of renewable energy technologies and in developing business models that prioritize sustainability

⁴⁶ Mazzucato M, (2018), Directorate-General for Research and Innovation, "Mission-Oriented Research & Innovation in the European Union: A problem-solving approach to fuel innovation-led growth".

⁴⁷ Hassink R & Gong H, (2019), "Six critical questions about Smart Specialization", European Planning Studies, DOI:10.1080/09654313.2019.1650898

⁴⁸ Sugden E, Wei P, Wilson J, (2006), "Clusters, governance and the development of local economies: a framework for case studies"

⁴⁹ "Smart Specialisation Strategy for Cyprus", (2015).

and social impact. In the health sector, Social Innovation can contribute to the development of new healthcare solutions that address unmet needs and provide more accessible and affordable care to underserved communities.

In addition to providing recommendations for the integration of Social Innovation in key sectors, the Institute can also support the development of the smart specialization strategy by promoting the collaboration between social entrepreneurs and other actors in the ecosystem, such as research institutions, businesses, and public authorities. By fostering collaboration and knowledge-sharing, the Institute can help to create a more supportive environment for Social Innovation and facilitate the development of new solutions that address key challenges in the region. The current strategy specifically mentions promoting social entrepreneurship as a way to address social and environmental challenges. The strategy highlights the need to support the development of social enterprises and to provide them with the necessary resources and support needed. This includes financial incentives, such as grant and tax exemptions, as well as creating an enabling environment for social enterprises to thrive. “The current relational paradigm is structured around the S3 in which Social Innovation is no longer a specific axis of the innovation policies but has become a transversal axis⁵⁰.”

Overall, the Institute of Social Entrepreneurship can play a critical role in promoting the sustainable development of the Social Innovation ecosystem in Cyprus by providing recommendations for improving the regulatory and legal framework, supporting the integration of Social Innovation in key sectors, and promoting collaboration and knowledge-sharing among ecosystem actors. By doing so, the Institute can help to create a more supportive and innovative environment for social entrepreneurs and contribute to the development of a more inclusive and sustainable regional economy. The integration of Social Innovation into the smart specialization strategy is a crucial step in fostering a positive and sustainable entrepreneurial environment.

6.2. Governance Model of the National Competence Center

As National Competence Centers for Social Innovation are still at an introductory level even at a European level (which is the *raison d'être* for FUSE project), in order to come up with the best governance model possible, we firstly analysed and monitored the performance of AVISE

⁵⁰ “Cyprus Recovery and Resilience Plan 2021-2026”

(a French non-profit agency working with public and private organisations committed to servicing the public interest) and Shipyard (a Polish foundation created by people connected with the Polish non-profit sector with the aim of a critical and reliable description of challenges of social life in Poland, as well as searching and promoting innovative methods based on civic participation).

Given that social enterprises are still at an emerging level of development in Cyprus, EKΩN should be a role model of an innovative social enterprise, with an open, democratic governance model. An innovative social enterprise is defined by its primary focus on social impact and social purpose, through an open democratic governance model. A social enterprise can be any kind of enterprise, including a non or for-profit entity, a cooperative, a foundation, as long as it follows the previously mentioned criteria. Given the complexity and time-consuming process to be registered as a legal social enterprise in Cyprus (as the legislation has not yet been fully enacted), we propose that as a first step the EKΩN National Competence Center will be registered as a non-profit company and operate under an equal partnership model between the Center for Social Innovation and Synthesis Research and Educational Center, which are the two Cypriot partners within the FUSE consortium.

Initially, the governance model should include a Management and an Advisory Board. During its first year of operation, the Center should employ two people, with the roles of Manager and Support Staff, to run the strategic activities and day-to-day operations of the center. The management should also focus on establishing one of its first key networks, the Cyprus Social Innovation Forum Network. Apart from this, the Management Board should be accountable for making decisions on all matters, including the preparation of annual financial reports, accepting donations, subsidies and sponsorships, deciding on the allocation and amount of funds, and overall decision-making regarding the center's business activities, scope and organizational structure.

In contract, the Advisory Board should consist of no more than 15 ordinary and honorary members who will be elected by the Board. The initial advisory members of the Board should be elected by the center's founders, namely CSI and Synthesis. Many potential candidates for the advisory board can be found in the Institute of Social Innovation, which was already described under Key Action 1 "Creating a positive entrepreneurial environment" (or the whole Institute should be the Advisory board). These individuals will be the leaders in their respective fields, combining experience and expertise from the business world, academia, policy makers and active citizens. Possible members of the Advisory Board could include high-level senior people coming from the academic world, the business world, policy makers and active citizens.

The Advisory Board should be authorized to participate in strategic planning meetings of the Management Board, offering impartial, specialized advice on priority topics without a constituting vote.

6.3. Funding Opportunities

In order to fund its operations and achieve its goals, the National Competence Center can explore various funding opportunities, starting with traditional funding options but also including more self-sustained innovative activities that can generate high revenues in the long run. Starting with the traditional funding opportunities available for non-profit enterprises, these include:

- **Donations:** this is non-repayable funding that can be sourced from private donors who share similar values and beliefs as the National Competence Center or from local foundations like Stelios Hadjiioannou and AG Leventis Foundation.
- **Public grants:** these include grants that can be obtained at a national or European level. For example, the European Social Fund (ESF+) will be a potential funding source for the National Competence Center if registered as a social enterprise. This will also provide a great opportunity to apply for specialized calls dedicated to promoting social entrepreneurship. In addition to the ESF+, additional opportunities might be available under the EU Funding and Tender Opportunities portal as well as through additional local grants coming from the Cyprus Entrepreneurship Fund and Research and Innovation Foundation.

In addition to the traditional funding opportunities available to any non-profit entity, EKΩN National Competence Center should also invest in developing activities that can create positive societal, environmental and economic benefits to the center and its community. To identify and prioritize activities that EKΩN Center should focus on for its sustainable development during its early stages, we used the Hedgehog Concept. The Hedgehog Concept is made up of three interconnected circles that allow an entity to understand its true character by eliminating everything else. These circles aim to answer questions like “what we can be best at?”, “how its economics work best?” and “what ignites with the passion of our people?”.

Using our Hedgehog Concept, the following funding activities can be promoted by the EKΩN. The options shared are prioritized in terms of relevance, effort, and time needed to fully develop and exploit them. Thus, most of them won't be available in the first year of operations:

Offering training and consultancy services for the successful application-implementation and exploitation of EU projects and competitive calls: CSI and Synthesis already possess the resources, knowledge and competencies to offer training and consultancy services for Social Innovation stakeholders interested in applying for European Social Innovation projects. The training activities can be customized, depending on the maturity level of each applicant, and can be offered for free to our members and at a low fee for non-members. Activities can range from proposal writing, support in the application process, project management and implementation, financial management, and financing opportunities under pre-seed and seed capital stages as well as exploitation and dissemination expertise.

After the above-mentioned activity becomes popular and successful, the EKQN National Competence Center can further expand in order to create and generate value from relevant activities, including:

Membership fees: The Center will create its own Social Innovation Forum Network. As a first step, interested entities and individuals can register for free to receive updates and news on the local Social Innovation ecosystem, mainly through monthly newsletters. At a later stage, a membership fee can be introduced that will reflect additional benefits to our members. The services offered can expand into weekly newsletter, online access to the digital community of Social Innovation Forum, priority access on our monthly networking events and capacity building workshops, as well as an invitation to attend our annual Social Innovation Forum. The Social Innovation Forum Network can follow a similar format as Avise's "Emergence and Acceleration community" which comprises 180 support schemes for social entities. Avise's annual membership fee proves to be one of its most important sources of funding, and its members are also part of its governance model.

Social impact accelerator program: The Center can at a later stage act as a national social impact accelerator to support social entrepreneurs during their early stages of development and scaling up process. To achieve this, EKQN Center can offer customized training to help them develop personal and professional competencies, mentoring and networking opportunities and events. An ideal concept will follow a combination of local best practices of accelerator programs including Cyprus Inno and Cyprus Seeds. Establishing a social impact accelerator program will attract more donations, angel investors and sponsorships, which can be used to cover the day-to-day operations of the center as well as used as an investment fund to support its members to grow.



Center for Social
Innovation

Crowdfunding: EKQN can develop its own crowdfunding platform dedicated to supporting local social enterprises. This will provide an opportunity for local entrepreneurs to raise capital with lower costs while directly connecting with citizens and end-beneficiaries, helping them become known in the market, and increasing their potential for positive impact and success. As a crowdfunding provider, EKQN will be entitled to a small fee from the capital raised on each case (let's say a symbolic 1%). Additional revenue in this case can also be generated through ads, as entities will want to put advertisements on the center's website.

In conclusion, EKQN has the potential to become a key player in driving Social Innovation and entrepreneurship in Cyprus. By following an open democratic governance model, prioritizing collaboration, trust, empathy and ethics, and strategically focusing on activities with the most significant impact, the EKQN Center can effectively facilitate a collective process in the social entrepreneurship community.

Through value chain partnerships, EKQN can take advantage of expertise and resources currently available in the social entrepreneurial ecosystem and facilitate a positive entrepreneurial environment. The EKQN Center can play a significant role in promoting sustainable development and social impact in Cyprus and serve as a role model for innovative social enterprises in the region.

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