Chapter 16

El Hueco: A local incubator, Spain

El Hueco is a co-working space and social-enterprise incubator. It aims to create a favourable environment for the creation and development of social enterprises, particularly in sparsely populated areas (SPAs) such as the Soria province of Spain. This chapter describes the organisation's objectives, rationale and activities. It presents the challenges faced in implementing the structure and the impact achieved. It concludes with the lessons learnt and conditions for transferring this practice to other contexts.

Summary

El Hueco was established in 2012 by Cives Mundi – a non-governmental organisation (NGO) active since 1987 in the field of international co-operation – with the aim of creating an attractive space for social, environmental and technological enterprises in the province of Soria, the most depopulated geographical area in Spain. El Hueco now operates independently from Cives Mundi.

El Hueco focuses on creating an environment where entrepreneurial and innovative initiatives generating social impact can flourish. El Hueco counts an impressive network of partners and supporters, including universities (regional and national), investors (regional community banks, national banks, investment funds), public administrations (local, regional, national and European), traditional enterprises and social enterprises (many of which were created at El Hueco).

El Hueco manages a co-working space featuring a wide range of activities to stimulate interactions among co-workers and external guests. It hosts the “Starter” competition annually to attract and train potential social entrepreneurs, and provides tailored training and mentoring through its recently launched Spanish Social Entrepreneurship Immersion Programme (SEIP), a social enterprise incubator, and the IMPUL/SO acceleration programme.
In 2015, El Hueco helped create 22 organisations (including social enterprises) and 120 jobs (including 30 self-employment positions), and attracted 115 business advisors. By organising local and international events, an intensive social network, a solid and creative communication campaign, and a strong presence in the media, it raised awareness of social enterprises and the challenges they face, and enhanced their recognition. As a result, several private and public actors have developed ad hoc financing and support tools to accompany emerging social enterprises in Soria. At the political level, El Hueco’s actions, and its sustained relationships with local and regional public administrations, have fostered dedicated support schemes for social enterprises.

El Hueco has an innovative ecosystem involving both local and international stakeholders. Considering the geographical, cultural and socio-economic environment where it emerged, El Hueco has acted as a true convener of multiple stakeholders supporting socially innovative initiatives and entrepreneurs. El Hueco provides sustained mixed (public and private) support, something that was hard to imagine in Spain just a decade ago.

**Key facts**

El Hueco was formally founded in July 2012. Initially fully owned by Cives Mundi¹ (to ensure its short-term sustainability), it is now fully independent from an administrative and financial standpoint. The only remaining dependency between the two organisations lies in mission monitoring: Cives Mundi ensures that El Hueco does not incur “mission shift” and remains focused on the social sector. Caja Rural de Soria (the local savings bank) supports the initiative by offering an old industrial building free of rent, as well as providing funding and advice to El Hueco entrepreneurs.

While El Hueco mainly focuses on local social enterprises in Soria, it opened an office in Brussels in 2014 and is increasingly active in European projects. Table 16.1 shows El Hueco’s annual budget since its creation.

**Table 16.1. Annual budget since 2012**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Accumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total annual budget</td>
<td>EUR 28 029</td>
<td>EUR 95 726</td>
<td>EUR 228 494</td>
<td>EUR 349 200</td>
<td>EUR 701 449 €</td>
</tr>
</tbody>
</table>


El Hueco receives private and public funds on a project basis. It also generates its own income (through rental of co-working space, services to entrepreneurs and private donations) to cover operating costs and/or infrastructure investment.

**Objectives**

In a post-crisis context characterised by high youth unemployment and increased depopulation in specific areas, El Hueco intends to create an environment where entrepreneurial and innovative initiatives can flourish. It also aims to establish connections in its co-working space that will result in new social enterprises and projects supporting quality employment and social transformation, and empowering all the stakeholders involved. El Hueco focuses on local development in the Soria province and its rural areas. It encourages social entrepreneurship and strives to establish a network of actors working in sparsely populated rural areas, to share experiences and help revitalise the region.
Access to finance: El Hueco strives to increase the share of specialised financing for social enterprises targeting sparsely populated areas, by creating favourable lending terms (e.g. loans without required guarantee and collateral) and other beneficial conditions (e.g. no commission for opening, assessing or cancelling a loan) through partnerships with investment firms or banks (e.g. Soria Futuro and the Rural Community Bank of Soria).

El Hueco also aims to improve the regional market infrastructure and help social enterprises take on investment. It encourages the development of innovative financing instruments (such as crowd-lending platforms), connects angel investors with social enterprises matching their investment criteria, and acts as an information and advice-sharing platform on public and private funding processes. Lastly, it monitors and studies the various financing opportunities offered by public administrations, to inform and advise social entrepreneurs.

Access to market: El Hueco aims to foster market development by communicating on the products of the social enterprises it has supported and incubated.

Support structures: in addition to supporting local enterprises through its co-working spaces, El Hueco aims to support social entrepreneurs at the local, national and European levels through a wide array of tools and activities (e.g. SEIP and Impulso). It has created a unique infrastructure, featuring a valuable networking component supporting the launch, development and day-to-day management of new and existing social enterprises.

Skills for social-enterprise development, education and training: El Hueco has a mission to foster and nurture the skills of its hosted social entrepreneurs – as well as the members of its alumni network – by providing formal and informal training business training (with a special focus on finance), as well as exposure to an international community of sector actors. It also aims to provide regular opportunities for some of its members to participate in training programmes in higher education institutions.

In 2014, El Hueco opened a Brussels branch, with the objective of attracting European funding for Soria-based entrepreneurs and companies, enhancing public-private relationships between the Soria province and EU officials, and promoting entrepreneurial mindsets and awareness of social entrepreneurship in Soria. The Brussels office is an opportunity to exchange experiences and innovative practices with other social economy entities and regional and national representatives.

Rationale

Located just two hours away from Madrid, the city of Soria ranks third in quality of life among Spanish cities; it offers a reasonable cost of living, no major transportation or pollution problems, and lively cultural activity. It is the capital of the Soria province, which has the highest life expectancy in Spain, and is known for its natural resources and a rural environment offering significant potential for innovative initiatives. Paradoxically, the Soria region is the most depopulated geographical area in Spain – with increasing youth migration towards other Spanish urban areas – and one of the most depopulated regions in Europe. This creates a number of extra challenges, e.g. structural unemployment, aging – 21.6% of the population of Soria was over 65 years old in 2013 (Vidal Dominguez and Fernández Portela, 2014) – and inequalities.

Except for the small town of Ólvega, Soria was spared the intensive industrialisation that pervaded the region in the 1970s, and entrepreneurship never really took hold, as its
inhabitants flocked to neighbouring provinces offering employment opportunities. In this context, Soria needed both to retain and attract entrepreneurial talent (particularly young people) to develop sustainable economic, social and environmental initiatives generating development and quality jobs.

The evidence suggests that social enterprises offer a resilient business model that addresses socio-economic inequalities, while enhancing the participation and well-being of the local communities. Rooted in the social economy, Soria-based Cives Mundi realised that promoting the development of social enterprises from a local-global dimension combining a bottom-up, top-down and participatory partnership approach offered a unique development model to meet these challenges. Despite facing severe budget cuts, Cives Mundi was able to generate a territorially based process of entrepreneurialism, driving support for social enterprises. El Hueco was founded with the goal of creating innovative solutions to tackle local and global problems sustainably through a triple-bottom (social, environmental and economic) approach.

**Activities**

**Co-working space**

El Hueco’s core business is a co-working space offering a wide range of services (e.g. Wi-Fi and printers, meeting rooms, offices and industrial spaces, networking, conferences and courses, and administrative, promotion and communication support) and activities (e.g. Supertuesdays, Dragon Dreaming workshop and the “Hueco Club Café”) aiming to stimulate interaction among co-workers and external guests. El Hueco also hosts the “Huertos de Soria” sale point, which employs people with mental disabilities to promote the work of provincial small farmers who sell ecologically certified products through their physical and online stores to private individuals, companies and restaurants. El Hueco has encouraged and hosted other social and solidarity economy projects. La Exclusiva is an example of a social enterprise whose slogan is ‘The shop of the villages without shop’. La Exclusiva provides small and isolated villages around the province of Soria with the basic shopping basket, supplies and goods. Lanzaderas, another example, is an electric car-sharing social enterprise whose objective is to solve mobility problems in areas where public transportation is limited. Lastly, Megara Energía is a local renewable energy cooperative (also known as REScoop) that provides 100% renewable energy to citizens.

El Hueco hosts an annual “Starter” competition to attract and train potential social entrepreneurs; Caja Rural de Soria funds several Starter awards. The 2013 edition, carried out in partnership with the Development Centre of Renewable Energies (Centro de Desarrollo de Energías Renovables) of the Energy, Environmental and Technological Research Centre (Centro de Investigaciones Energéticas, Medioambientales y Tecnológicas), featured a specific award focused on sustainable energy. The competition’s winners receive guided training as well as access to a wealth of activities, mentoring, financing opportunities and business support for two years.

**Spanish social entrepreneurship immersion programme (SEIP)**

SEIP aims to incubate and accelerate social entrepreneurship projects, targeting people with a newly established idea or company whose aim is to solve a social and/or environmental problem in Spain or Latin America. SEIP offers participants a three-month immersion in an
ecosystem supporting social entrepreneurship in Spanish-speaking countries. Concretely, its objectives include:

- developing a social business plan for each venture presented, based on actual initiatives, with short-term application and implementation
- establishing relationships and transferring knowledge on social entrepreneurship between Europe and Latin America
- focusing on finance for social entrepreneurship
- unlocking the value of rural areas as a suitable testing field for social and green pilot projects based on the real economy and social responsibility.

SEIP supports social undertakings from the onset – when they are only an idea – and follows them for two years after their entry into the programme.

**Impulso** is a six-month accelerator programme for social enterprises jointly launched in March 2016 by El Hueco and the investment firm Soria Futuro. Directed and co-ordinated by leading management experts in the sector, it is open to social enterprises based in Spain wishing to join an innovative process of acceleration that features personalised mentoring and funding in the seed phase, based on a social investment methodology applied equally to all incubated enterprises. Impulso aims to develop and boost innovative, viable, scalable and replicable social enterprises, as well as attract the principal national and international venture-capital operators by organising annual “investor days”.

**European social entrepreneurship and social finance spring meetings**: International spring meetings organised by El Hueco on social entrepreneurship create a gathering point for social entrepreneurs, investors and institutions to engage in networking and knowledge sharing. The first spring meeting (14-15 May 2015) covered the topic of social finance across all aspects of social enterprise and the wider social economy. The second spring meeting (20-21 May 2016) convened different actors in Europe’s most sparsely populated areas to explore how social entrepreneurship can help alleviate depopulation. The meetings also cover transversal topics on the overall social economy, as illustrated by study and field visits to social entrepreneurs’ workplaces.

**European projects**

El Hueco is part of three EU programmes:

**Erasmus+ Capacity Building for Youth in ACP countries, Latin America and Asia**: Through this programme, El Hueco currently runs the “El Hueco Caribe Exchanges” project, dedicated to fostering social entrepreneurship among vulnerable youth and non-profit organisations in the Dominican Republic and Haiti. Activities include awareness-raising campaigns on social entrepreneurship, national seminars, two competitions to identify potential social enterprises and an incubation programme (including training on basic business tactics and plans) for selected entrepreneurs. The European Union contributes EUR 140 618 (euros) of the programme’s total EUR 175 773 budget; Cives Mundi (the project co-ordinator) and other local partners (Centro de Dessarrollo Sostenible – CEDESO, Movement for Integration and Social Protection in Haiti - MIPROS, and the Ministry of Trade and Industry of the Dominican Republic) provide the remaining funding, specifically dedicated to staff costs and technical assistance.

**EU Programme for Employment and Social Innovation (EaSI)**: As part of a call for proposals launched in October 2013 to support the demand and supply side of the market for social enterprise finance, El Hueco received EUR 41 304 to implement a project promoting
social entrepreneurship in Spain. With the collaboration of Cives Mundi, the Spanish Social Entrepreneurs Association and the government-owned Isis Foundation (dedicated to supporting social impact generating initiatives in Spain), El Hueco organises events allowing stakeholders to meet and share good practices, experiences and plans for the future.

**Interreg Europe:** Social Entrepreneurship in Sparsely Populated Areas (SOCENT SPAs Interreg) improves the implementation of regional development policies and programmes, in particular programmes for Investment for Growth and Jobs and, where relevant, ETC programmes, supporting SMEs in all stages of their life cycle to develop and achieve growth and engage in innovation. SOCENT SPAs will foster interregional cooperation among six public/private entities of Finland, Germany, Slovakia and Spain in a view to improve the effectiveness of regional policies in actively supporting the visibility, incubation and acceleration of social entrepreneurs in sparsely populated areas (SPAs) as a driver to regional competitiveness and inclusive growth.

**Stakeholder interaction and/or collaboration**

El Hueco holds solid partnerships with two universities (one local – UVa Soria – and one national – National Open University [UNED]) and an international research network (EMES) that help spread the concept of social entrepreneurship, raise awareness of El Hueco’s activities among students and encourage enterprise creation. UNED offers training on social entrepreneurship and impact measurement to the social entrepreneurs associated with El Hueco, while EMES works together with El Hueco to identify possible collaborative research projects.

In addition to Caja Rural de Soria, four financial institutions have been crucial to El Hueco’s initial developmental and consolidation phases: BBVA offers financing advice and funds awards in entrepreneurship competitions; the Isis Foundation invests in social enterprises and co-implements European projects; Obra Social la Caixa (a private bank foundation) collaborates on joint calls for proposals targeting work integration and social entrepreneurship; and Empresoria helps identify and finance entrepreneurial activities that match funding criteria.

Although collaboration with public administrations takes place at the local, regional, national and European levels, El Hueco collaborates most intensively with the provincial council of Soria, which has financed several social-enterprise awards in the Starter competitions. El Hueco has also forged partnerships with traditional entrepreneurs: an entire network of consultants in various fields (legal and labour, fiscal, economic, accounting, etc.) is available to the social entrepreneurs located at El Hueco.

**Challenges encountered and impact**

**Challenges**

In its initial phases, El Hueco had to contend with inadequate legal forms and financing tools for social innovation. It struggled to obtain the crucial support of public administrations and leading private institutions, but managed to overcome this challenge through sound strategic planning and an effective communication strategy. It also sought to establish itself as the country’s “social entrepreneurship epicentre”, engaging in intensive networking at the regional, national and international levels, and organising unique European events to consolidate the field. This keen awareness of the European political agendas on social enterprise illustrates the Soria region’s potential to shoulder a leading role in European social enterprise (particularly in sparsely populated areas).
No other organisation provides the same services as El Hueco in the Soria region. While its position as a trailblazer may give it a competitive advantage – not only in terms of mobilising public and private finance, but also of its ability to draw on a social and human capital from a large network of like-minded entrepreneurs, alumni and local administrations – it also makes it harder to develop and sustain its activities, and more generally to support social entrepreneurship through collaborations and partnerships.

Thus, El Hueco’s challenges stem both from its specific socio-economic environment, and its ability to mobilise and encourage regional actors and institutions to welcome and encourage social-entrepreneurship initiatives.

Table 16.2 presents an analysis of the strengths, weaknesses, opportunities and threats (SWOTs) facing El Hueco.

Table 16.2. SWOT analysis of El Hueco

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>● Motivated staff and volunteers</td>
<td>● Short life of some of the incubated initiatives, challenging El Hueco’s track record and sustained positive social impact</td>
</tr>
<tr>
<td>● Proven concept; existence of successful pilots</td>
<td>● Lack of resources (mainly financial) to carry out activities</td>
</tr>
<tr>
<td>● Know-how and contact from an established third-sector organisation</td>
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<tr>
<td>● Solid values rooted in solidarity, collaboration and empathy, as well as business expertise and a clear strategy-driven mission</td>
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<tr>
<td>● Identification with both traditional social economy structures and new model of social enterprise</td>
<td></td>
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<tr>
<td>● Availability of space</td>
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<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Committed public administrations</td>
<td>● Lack of understanding of the social enterprise concept</td>
</tr>
<tr>
<td>● Adopt a leading role in the European sparsely populated areas community</td>
<td>● Competition from other Spanish cities to attract talent</td>
</tr>
<tr>
<td>● Attractiveness of a medium-size city within reasonable reach of the capital</td>
<td>● Lack of management skills on the part of social entrepreneurs</td>
</tr>
<tr>
<td></td>
<td>● Lack of interest on the part of policy makers and decision-makers in social enterprise and innovation</td>
</tr>
</tbody>
</table>

Impact

In 2015, El Hueco helped create 22 organisations and 120 jobs (including 30 self-employment positions), and attracted 115 business advisors. Its co-working zone hosted 30 organisations, including 51 co-workers.

Through its various events, networking, communication campaigns and media presence, El Hueco has significantly raised awareness of social enterprises and the challenges they face.

At the political level, El Hueco’s actions and sustained relationships with local and regional public administrations have resulted in the preparation of support schemes for social enterprises in areas such as start-up financing and business support. The concepts of entrepreneurship and social innovation are increasingly well received by public administrations, as evidenced by the interest of local/regional politicians: for instance, the Castilla y León regional government is interested in jointly implementing measures to promote and support social entrepreneurship in the autonomous community, and public agencies participated in El Hueco’s “SOCENT SPA” project proposal to the European Union. Nevertheless, concrete initiatives by public administrations have not yet materialised.

El Hueco’s approach to entrepreneurship and social innovation is aligned with the European Commission’s recommendations. El Hueco has benefited from EU support in developing several projects and is expected to increase its participation in European programmes on social entrepreneurship.
Lessons learnt and conditions for potential replicability

**Lessons learnt**

El Hueco has recognised the value of capitalising on the knowledge hidden in organisations with a solid experience in creating social impact and effectively managing projects. Another lesson is that sparsely populated areas can become epicentres of social entrepreneurship.17

**Conditions for potential replicability**

El Hueco is actively working with public and private partners in other European sparsely populated areas to build a network of actors who can share knowledge and best practices. Likewise, its Erasmus+ project in the Dominican Republic and Haiti reflects its desire to connect with other local ecosystems to achieve systemic transformation.

El Hueco could be successfully replicated in other contexts, providing the initiative can access a network of actors in similar sparsely populated areas, the right kind of financial support, and “translators” and “facilitators” (i.e. highly skilled volunteers associated with a partner institution, or citizens wishing to donate their time and expertise to advance the organisation’s mission).

The following elements are replicable in other contexts:

- the core business model, based on a co-working space with a series of facilitation, support and training activities to develop social entrepreneurship
- a description and implementation plan for the activities, including visual identity and materials
- a software platform to manage the activities
- a network of international contacts, including peers, academic contacts and public-administration representatives, who can be “activated” if needed
- tested financing tools and pilots.

The conditions for a successful replication include:

- a team of people combining business knowledge, social commitment, and the right set of management and communication skills
- if possible, an organisation leading the effort with a proven record of social, cultural or environmental impact
- interested and committed public and private actors; in their absence (as in Soria), a plan to create awareness (through successful pilots and examples in other countries) and foster commitment among these actors
- start-up finance to support a critical mass of initiatives that can lead by example.

Potential replication problems include:

- mission drift (when the number of stakeholders and activities increases exponentially)
- insufficient alignment with the expectations and aims of other public and private actors, which sometimes have opportunistic or unrealistic expectations, and consider social enterprises as a quick fix for social challenges.

In all cases, supporting a social-enterprise ecosystem entails moving away from a “residual” approach and considering it as serious policy issue requiring support at all political levels.
Notes

1. For more information on Cives Mundi, please visit: http://www.civesmundi.es.
3. For more information, please visit: http://www.elhueco.org/brussels-office/.
4. It is estimated that 40% of the population left in the last 50 years. This population decline has remained steady for the last 20 years: in 2013-14, the inter-annual population variation continued to be negative (-1.15) in Soria (Junta de Castilla y León, 2015).
5. With a population density of 9.18 inhabitants per square kilometre in 2008 (Fundación BBVA, 2007).
6. For more information about Cives Mundi, please visit http://www.civesmundi.es.
7. For more information about SEIP, please visit http://www.elhueco.org/SEIP_2015_EN.pdf.
8. A total of 134 people, including 36 speakers from 10 different nationalities, participated in this two-day event. The speakers represented 8 social enterprises, 12 (including 4 non-Spanish) private entities supporting and funding social entrepreneurship, 6 public administration representatives (3 Spanish and 3 European), representatives from the main business schools and 2 of the largest universities in Spain. Additionally, live stream enabled 145 people to follow the event.
9. For more information about the meetings’ programmes, participants, sessions and topics, please visit: http://www.elhueco.org/socialmeeting/en/.
13. BBVA, a national bank; ISIS foundation, investment funds; Obra Social La Caixa, private bank foundation; Empresoría.
14. Empresoría is an investment fund combining financial and capacity-building support investing in innovative and entrepreneurial initiatives with a focus on social enterprises working in the agricultural sector and in rural environments.
15. The main networks are Federación de Organizaciones Empresariales Sorianas (FOES, umbrella organisation of local entrepreneurs) and Confederación de Organizaciones Empresariales de Castilla y León (CECALE, umbrella organisation of regional entrepreneurs).
17. This surprising realisation hides an important lesson for other sparsely populated areas in Europe: the need to be realistic when appraising the advantages and disadvantages of any given area, and to build on its strengths, including the resilience of its inhabitants and organisations.

References


Further reading


