

Seed Capital Bizkaia - Entrepreneurship and Social Impact Fund

SUPPORTING NEW SOCIAL IDEAS FOR CHANGE

Entrepreneurs and Small and Medium Enterprises (SMEs) are essential for economic growth, job creation, boosting innovation and promoting social cohesion. In the context of the Just Transition Strategy towards Climate Neutrality set by the European Commission to achieve the 2030 UN Agenda for Sustainable Development Goals, as well as the post-pandemic COVID-19 recovery, the role of social entrepreneurship in improving the quality of life and producing social impact is fundamental. Hence, the importance of financial and non-financial support given to new social initiatives through social impact investments for their development and scale-up has become more and more visible, especially at regional level. Since 2014, the Biscay region's entrepreneurial ecosystem has been advancing and innovating with the assistance of Seed Capital Bizkaia - a Regional Council company affiliated to Biscay Regional Council's Department of Economic Promotion (**Departamento de Promoción Económica de la Diputación Foral de Bizkaia, DFB**). With the participation of other public and private agents, it has succeeded to actively strengthen the position of social entrepreneurs in the Biscay region and offer tailored support according to their stage of development and their financial needs.

COMMITMENT TO SOCIAL IMPACT IN BIZKAIA

What, why, how?

New funds have appeared across Europe and, under the auspices of incubators, accelerators and programmes **to support social entrepreneurship, seed investors and small investment vehicles have emerged**. The creation of the intermediation infrastructure was one of the critical aspects for the development and proper functioning of the UK entrepreneurial ecosystem and impact investment market, which has become one of the reference markets for social impact investment. In Spain, the sector has evolved since the appearance of the first impact investment funds, launched in 2011¹.

Seed Capital Bizkaia is contributing to the market development through the Entrepreneurship and Social Impact Fund (FEIS), a **Venture Capital Fund** with the aim of supporting the promotion and consolidation of innovative business initiatives with social impact and to finance novel, profitable and valuable initiatives **for people and the environment**. The three main impact areas of investments are **culture and education, social inclusion and integration** and **health and welfare**, directly linked to the SDGs: Quality of Education (SDG 4), Decent Work and Economic Growth (SDG 8), Sustainable Cities and Communities (SDG 11) etc.² Seed Capital Bizkaia aims to ensure that innovative ideas can be converted into products and services that generate **growth and employment**, and broaden the opportunities for both users of goods and services and for those who produce, commercialise or provide them, all with the aim of contributing to the **creation of stable employment and generating wealth** in the Historic Territory of Bizkaia.

The impact fund, initially receiving €1.6 million, 100% provided by **the DFB - Provincial Council of Bizkaia, aimed at the companies or existing SMEs**, which promote entrepreneurship and social innovation in the above-mentioned sectors. The projects are selected according to **their degree of innovation, employment generation, their social impact and scalability**, and they receive investment of up to **€450,000** (€600,000 for strategic sectors) in equity and participative loans. Financial investment by the founders is required.

FEIS AND THE NON-FINANCIAL SUPPORT

Many Spanish social enterprises are not 'investment ready' (they are not ready to receive investment). For this reason, there is an **increased need of advisory platforms on the business model, valuation, or exit plans of investors**, which requires a lot of resources.

Providing more than financing, Seed Capital Bizkaia has established a unique non-financial assistance mechanism acting as a **venture builder**, and offering **strategic development and impact measurement** (Figure 1). At

the same time, the Seed Capital Bizkaia's Social Angels Programme accompanies the selected projects and the entrepreneurs alongside the development of their initiatives, providing their knowledge and experience, and even actively participating on the boards of directors

of the investee companies, as independent directors. They intend to increase the chances of success of the socially innovative projects.



Figure 1. Non-financial support offered through FEIS³

INVESTMENT STRATEGY

The selection process under FEIS is strongly linked to the investment strategy of Seed Capital Bizkaia. Following the Sustainable Development Goals and identifying the investment sectors according to them is the first step of the process. After the sectoral screening, the impact investment opportunities are identified and selected. An analysis of two specific parameters is conducted in order to determine whether the project has the minimum social impact required for FEIS:

- (1) the analysis of change – **project's desired impact and scope**, and
- (2) the project's **capacity to cause change**.

The last two phases are the materialisation of the impact investment and the evaluation of the project's social impact. The social impact of the project is assessed by performing the following analyses: identifying the

problem or social need that is resolved, outlaying an impact logic according to the **Theory of Change** (input / output / outcome / impact), and defining the impact indicators and monitoring process. This analysis is developed together with the investee company to ensure its measurement.

Both the public sectors, the DFB Interdepartmental Executive Commission (Provincial Council of Bizkaia) receiving the seed capital analysis, and the private sectors, the Experts Advisory Committee, with mentoring and coaching are involved in the process.

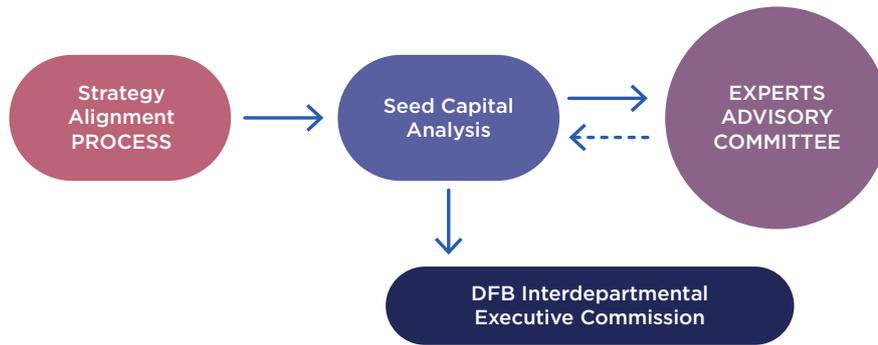


Figure 2. Investment Strategy and Process

FEIS SUPPORTING CLIMATE NEUTRALITY AND SOCIAL INCLUSION⁶

One of the initiatives supported by FEIS is the sustainable home delivery service implemented by Koiki Home, a social enterprise that **hires people suffering from social exclusion** (mainly people with disabilities, young and long term unemployed) to work as postmen/postwomen, called Koikis, who provide a green 'last mile' delivery service. The Koikis, who work only in their neighbourhood, make all their deliveries walking, biking or with an electric vehicle. In this way, the organisation contributes to both climate change mitigation and social inclusion of people with disabilities. The social enterprise estimates that its Koikis currently **save 0.49kg of CO2 emissions for each parcel delivered**.

At the end of 2016, a group of investors provided an important recognition to Koiki's management model by broadly supporting the company's latest round of financing to fund its growth plans. Thanks to the contribution of five large investment funds in the field of social economy, Koiki has managed to raise €900,000, which strengthened and improved the technology used and promoted a significant deployment of a network of centres in the main cities. Within this round of financing, Seed Capital Bizkaia has become the reference investor through its Entrepreneurship and Social Innovation Fund.⁷

Through FEIS, Seed capital Bizkaia supported Koiki along the years with a total invested amount of €300,000 and non-financial support of its Social Angels Programme.

RESULTS AND FUTURE PERSPECTIVES

The potential for scaling and replication at the national and EU level

So far, FEIS has supported the creation of 162 jobs, training of 444 people at risk of exclusion for their employability, avoided 90,2 tons of CO2 emissions, and improved the health of 932 people. It has a crucial role to play in talent attraction and retaining talents, as 63% of students from Biscay of one of the companies invested were staying in the region.

In 2018, it received the recognition of the European Commission as being selected as Social Impact Fund that supports the financing of social enterprises. The grant was awarded under the EaSI programme "Transaction cost support for social enterprises finance".⁴ One year later, the fund received the EPSA⁵ Best Practices Certificate for creating social impact at the local level through innovative financing tools for an intelligent, sustainable and inclusive growth.

Currently, FEIS is involved in a new round of capital increase, with the aim of incorporating 2-3 private investment partners strictly aligned with the social impact investment environment. The DFB (Bizkaia Provincial Council) will join the round and FEIS will continue to be managed in a majority way by the public administration.

MORE INFORMATION

Learn more about the Seed Capital Bizkaia and its funds [here](#), or contact Oscar Ugarte Gamboa & Amaia Arrizabalaga Echeverria, the Director & the Investment and Portfolio Management Analyst at Seed Capital Bizkaia (amaia.arrizabalaga@bizkaia.eus; oscar.ugarte@bizkaia.eus).

ENDNOTES

- 1 Such as the pioneer CREAS: https://www.foroimpacto.es/descargas/informes/Foro_Impacto_Informe_Intermedio_Grupos_de_Trabajo-INTERMEDIACION_de_CAPITAL.pdf
- 2 SDG 3, SDG 4, SDG 8, SDG 9, SDG 11 - <http://www.seedcapitalbizkaia.eus/en/investment-policy/feis/>
- 3 “What do we provide” <https://www.seedcapitalbizkaia.eus/en/investment-policy/feis/>
- 4 VP/2017/013 - <https://ec.europa.eu/social/main.jsp?catId=629&langId=en&callId=518&furtherCalls=yes>
- 5 EPSA - European Public Sector Award
- 6 EVPA Success Story Koiki - Creas: <https://stories.evpa.eu.com/koiki-creas/>
- 7 <https://www.seedcapitalbizkaia.eus/eu/koiki-gizarte-ekonomiaren-aldeko-apustu-argia/>

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