

# Study of Social Entrepreneurship and Innovation Ecosystems in the Latin American Pacific Alliance Countries

Country Analysis: Mexico

Fundación Ecología y Desarrollo

Office of the Multilateral  
Investment Fund

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## 1. Country overview

The following section gives an overview of Mexico's current economic and social situation as well as the key social challenges the country faces.

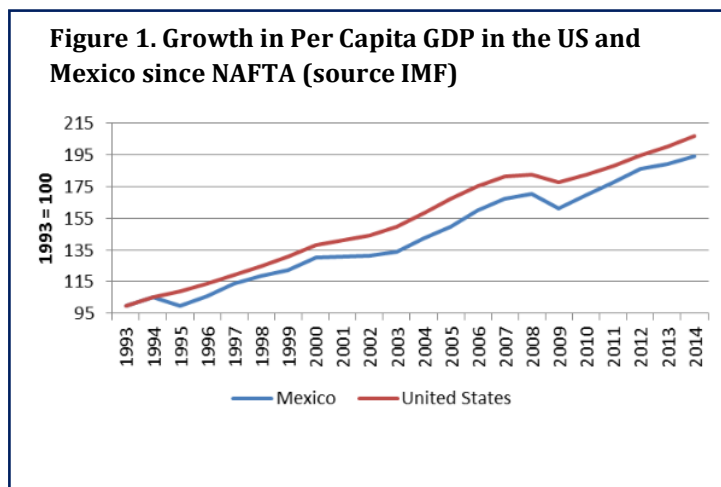
### 1.1 Country Profile<sup>1</sup>

<b>Population (2014)</b>	<b>125.38 million</b>
<b>GDP per capita (2014)</b>	<b>10,325 USD</b>
<b>Rural population (% of total) (2014)</b>	<b>21%</b>
<b>CO2 emissions per person (2011)</b>	<b>3.9 Mt per capita</b>
<b>Inequality (GINI coefficient) (2013)</b>	<b>47.2</b>
<b>Poverty (population below national poverty line) (2013)</b>	<b>52.3%</b>
<b>Unemployment (% of population) (2014)</b>	<b>4.9%</b>
<b>Social Progress Index<sup>2</sup></b>	<b>67.50 (54th/133)</b>

### 1.2 Economic and Social overview

Mexico has the second-largest economy in Latin America and is a major oil exporter. According to 2014 data by the World Bank, agriculture accounted for 3.5% of the GDP, while industry and services accounted for 33.8% and 62.7% of the GDP, respectively. After several economic reforms and the signature of the North American Free Trade Agreement (NAFTA), effective in January 1994, the economy has experienced stable economic growth. The NAFTA was a one-of-its-kind treaty, as never before has a free trade agreement been established between countries with such different levels of development. The backbone of the agreement was to eliminate most tariffs on products traded between the United States, Mexico, and Canada. The agreement helped improve intraregional trade between the three countries, but has fallen short of generating the jobs and the deeper regional economic integration its advocates promised decades ago.<sup>3</sup>

Mexico is known for its manufacturing sector, especially motors and electronics. China, creating special economic zones, became a competitor for Mexican factories in the late 90s and Mexico strategized by making more valuable products. As an example, clothing exports dropped 43% (from \$7.6 billion to \$4.3 billion) between 2002 and 2012, automotive exports increased by 152% (\$27.9 billion to \$70.3 billion) and



<sup>1</sup> All data is taken from <http://data.worldbank.org/> except GINI coefficient which is taken from <http://hdr.undp.org/en>

<sup>2</sup> Michael Porter's Social Progress Index measures multiple dimensions of social progress, benchmarking success, and catalyzing greater human wellbeing <http://www.socialprogressimperative.org/data/spi>

<sup>3</sup> Council on Foreign relations, NAFTA's Economic Impact, February 2014

electronic exports increased by 73% (\$43.3 billion to \$74.9 billion) over the same period. Regionally Mexico has also taking advantage of the slow growth of Argentina and Brazil and the higher import/export restrictions to take the lead in manufacturing output.

The Institutional Revolutionary Party (Acronym in Spanish PRI), has been the Mexican political party dominating the country's political institutions from its founding in 1929. This party has been in power continuously since this period only with a break between 2000-2012 after which the PRI is restored with Enrique Peña Nieto winning the presidential elections.

Mexico is categorized as a young country, with the second highest number of young people in the world, only behind India; the average age is 25.7 and 110,000 engineers graduate from universities each year.<sup>4</sup> There is also a national sense of entrepreneurship, government data estimates in average 35,000 SMEs are established in Mexico per month.<sup>5</sup> The National Statistics and Geography Institute (in Spanish, *INEGI*) data shows that there are more than 4 million enterprises in Mexico, of which 99.8% are SMEs.

## Major Reforms

President Nieto pushed for innovative reforms, including education reform, corporate tax reforms and liberalizing the telecoms industry and the energy monopoly to private competition. The package of reforms known as the "Deal for Mexico" (*Pacto por México*), aimed at putting the country back on a path of prosperity. Experts mention that if the package is fully implemented, these reforms could increase the annual trend in per capita GDP growth by as much as one percentage point over the next ten years, mostly due to improvements in education and the energy sectors.<sup>6</sup> Thanks to those reforms and an increase in government's revenue, mainly from higher income tax, the decline in oil revenue due to a slump in oil prices and a decline in the volume of production was compensated. On the negative side, reforms and economic growth have been unable to lift the country out from poverty. Even though the World Bank categorizes the country as an upper middle-income country categorizes the country,<sup>7</sup> government data in 2015 underlined that 55.3 million people (out of 125 million) are living under 157USD/month in cities and 87USD/month in rural areas. One of the reforms of "Deal for Mexico" was to create the National Institute for Entrepreneurs (in Spanish, *INADEM*), which is the key public sector player for the entrepreneurship sector.

### 1.3 Key social challenges

According to Transparency International, in 2014 Mexico was 103<sup>rd</sup> out of 175 countries on the Corruption Perceptions Index. The high levels of corruption in Mexico, in combination with the lack of substantive results from political parties over the years have led to a general sense of disappointment and lack of trust between citizens and the government.

Mexicans are also concerned about high levels of violence related to drug cartels. Reuters estimates over 85,000 deaths occurred between 2006 and 2014 due to organized criminal violence. Mexico's

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<sup>4</sup> BBVA Centro de innovación, <http://www.centrodeinnovacionbbva.com/en/news/mexico-has-everything-become-entrepreneur#sthash.etuxRgXn.dpuf>

<sup>5</sup> INADEM, ENTREPRENEURSHIP MINISTRY OF ECONOMY and START -UPS Culture in MEXICO

<sup>6</sup> OECD Economic Surveys. Mexico. January 2015.

<sup>7</sup> <http://data.worldbank.org/country/mexico>

drug-related organized crime groups began to escalate when Colombia's drug cartels were dismantled in the late 80s. Since then, governments have been using armed forces to decrease it, with very little success. President Nieto instead, focused on increasing law enforcement and public safety. This shift in approach resulted in a decrease in homicides, but its success has been tempered by an overall increase in kidnappings and extortion cases.

Education reform has also been one of Nieto's government underpinning. According to OECD 2015 data, only one in three adults aged between 25 and 64 years old completed secondary education. In 2013 Mexico was one of only two countries OECD members (the second was Colombia) where less than 60% of young people aged 15 to 19 years were enrolled in the education system. The actions under Nieto's reform were to reduce the power of the teachers union and to apply competitive teacher selection processes among others.

The OECD obesity update report mentions that more than one in three adults in Mexico are obese, the same rate as the US and New Zealand. Child obesity is also alarming. Data from Mexico's 2012 national nutrition survey revealed that Mexico leads the world in childhood obesity, 35% of its adolescents are overweight or obese, rising to almost 39% in the capital. Diabetes, for which obesity is a contributing factor, is now the No. 1 cause of death in the country. In 2013, the government launched the National Strategy for the Prevention and Control of Overweight, Obesity and Diabetes. The Strategy is focused on improving public health and surveillance, improving access to medical care for people with chronic diseases; and increasing regulations and fiscal measures.<sup>8</sup>

Another issue affecting most of those at the bottom of the pyramid is access to decent housing. Data from the Treasury and Credit Secretariat (in Spanish, *SHCP*) reveals that approximately a third of Mexico's population lacks access to decent housing conditions. Mexican families spend on average 24% of their income on housing – after food, more than on any other category of domestic expenditure.

Finally, as in many other countries in the region, climate change is affecting Mexico's environment and economy. The country is already experiencing longer and hotter periods, more droughts, more intense rains and hurricanes, and frequent floods and mudslides. If climate change is not addressed, the Mexican economy is expected to decline by between 3.5% and 4% and suffer significant costs of up to 6.2% of GDP.<sup>9</sup> Mexico has taken a leading role in mitigation strategies for a developing country; including being the first developing country to submit a National Strategy for Climate Change to the UNFCCC, proposing to unconditionally reduce its emissions of greenhouse gases (GHGs) and carbon by 25% below baseline emissions by 2030.

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<sup>8</sup> OECD Obesity Update, June 2014 <http://www.oecd.org/health/Obesity-Update-2014.pdf>

<sup>9</sup> World Bank, Mexico Seeks to Adapt to Climate Change and Mitigate its Effects, April 2013

<http://www.worldbank.org/en/results/2013/04/17/mexico-seeks-to-adapt-to-climate-change-and-mitigate-its-effects>



## 2. Overview of social entrepreneurship and social innovation movement

The social entrepreneurship sector only started to be formerly recognized in Mexico in 2011 and has grown in large part due to the following four main factors: (i) the level of inequality which requires social entrepreneurs to have innovative ideas to solve social issues, (ii) the level of technological capability, as was mentioned in section 1, the country has had outstanding levels of growth thanks to manufacturing and exports, (iii) the available physical infrastructure increasing access to markets and spread of resources, and (iv) a domestic market of more than 125 million people and a border with the US.<sup>10</sup>

Within the public sector, social innovation has not been part of the core public agenda. As outlined in section 3, the main actor is the National Institute for the Entrepreneur (in Spanish, *INADEM*). *INADEM*'s main objective is to support entrepreneurs to achieve economies of scale and is highly focused on poverty reduction. *INADEM* is a decentralized agency founded in 2013 within the Secretary of Economy that provides information, open calls for funding, and connections to incubators and accelerators.

Ashoka and New Ventures are the two most long-standing actors in the social innovation ecosystem in Mexico. Ashoka in 2016 will celebrate its 30<sup>th</sup> year anniversary operating in the country, and New Ventures its 12<sup>th</sup>. The lack of security and political stability in the region has also made Mexico a safer place to establish social innovation intermediaries than in neighboring and far more volatile Central American countries.

Academia has been increasingly including social entrepreneurship in their curriculums and research agendas. Some institutions, such as Anahuac University's LEGADE e IDEARSE have even received international funding to develop their social innovation agenda. Ashoka U and the National Autonomous University of Mexico (in Spanish, *UNAM*) also offer a social entrepreneur diploma.

In terms of financial support for the sector, Mexico is the only Spanish speaking country member of the Global Social Impact Investment Steering Group and has recently established a national Alliance for Impact Investment<sup>11</sup>. The purpose of the international Steering Group is to catalyze the global impact investment market through its states members - Australia, Brazil, Canada, France, Germany, India, Israel, Italia, Japan, Mexico, Portugal, UK, USA and the EU. It was formed in 2015 as a successor of the Social Impact Investment Taskforce founded in the G8 in 2010. In Mexico, the Alliance for Impact Investment, which was formed in 2015 has three main working areas, 1) research to understand the sector and propose recommendations, 2) lobbying for social impact investment and 3) enhancing communication around the sector.

An important activity for the impact investment scene is the annual Latin American Impact Investing Forum (in Spanish, *FLII*), which is organized by New Ventures and held in Merida. It is becoming the largest gathering of its kind in the region and seeks to strengthen the social entrepreneurship and

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<sup>10</sup> Ashoka, Social Entrepreneurship in Mexico and Central America. Trends and Recommendations. 2015

<sup>11</sup> Members of the Alliance are AMEXCAP, ANDE, Coca Cola FEMSA, Compromiso Social Banamex, Ignia, Impact Hub, Nacional Monte de Piedad, New Ventures, Promotora Social Mexico and SVX.

impact investment ecosystem, and has celebrated 6 editions to date. The event facilitates meetings and dialogues between the main actors from different sectors across the region: social and environmental companies, corporations, investment funds, investors, government agencies, business media, foundations, NGOs and business schools, among others.

Crowd funding has also seen considerable advances in Mexico. A Massolution-MIF report<sup>12</sup> mentions that crowd funding could be skyrocketed in Mexico as many enabling factors are already in place, such as (i) access to the internet and related technologies, (ii) strong economic growth, (iii) high level of entrepreneurs, and (iv) strong leadership from *INADEM*. However, the public sector needs to increase its role to promote platforms, businesses, donors and investors to participate in online crowd funding. Crowd funding also enables accelerators to establish seed capital combined with crowd funding operations. However, there is still some work to do, as an example, much of the crowd funding is done by PayPal and people in Mexico often don't have accounts.

In 2015, the Startup Nations Summit was held in Mexico. The previous year the Global Social Business Summit was also held in the country, a leading forum for social business worldwide to spread awareness of social business, foster discussion and collaboration, as well as present and conceive best practices. Mexico is Startup Weekend's largest market outside of the U.S.

While most of this activity occurs in Mexico City, due to Mexico's extension and market size, there are also up and coming regional hubs. Guadalajara has an important community in social innovation and hosts every year the *Epicentro Festival* (Epicenter Festival). Monterrey with its Technological Institute has also good levels of activity although lacks a structure. Yucatan, since 2010 hosts in Merida de FLII, in Oaxaca there is the *Catapulta Fest* (Catapult Festival) and in Coahuila the *Laguna Innovadora* (Innovative Lagoon).

**Table 2. Key milestones in social entrepreneurship and social innovation in Mexico**

Year	Event	Description
1986	Ashoka started in Mexico	Ashoka selects its first two social entrepreneurs in Mexico.
2004	New Ventures founded	First accelerator program in Mexico to focus on social entrepreneurship, now also operates a social impact fund (Adobe Capital), organizes the Latin American Impact Investment Forum (FLII) and Green Directory
2007	<i>Ignia</i> founded	First Local impact Investor founded
2011	<i>Iniciativa Mexico</i> launched	TV program featuring social businesses
	First FLII held	Latin American Forum for Impact Investing held in Merida
2012	<i>CO_Plataforma</i> founded	A collaborative platform for initiatives that strengthen the social innovation ecosystem and support infrastructure for social or impact ventures.
2013	<i>INADEM</i> founded	Presidential reform includes the creation of <i>INADEM</i>
2014	<i>Socialab</i> Mexico opens	<i>Socialab</i> Mexico starts operations and running crowdsourcing competitions
	Global Social Business Summit held in Mexico DF	Leading forum for social business by Grameen creative Lab. and Prof. Muhammad Yunus
2015	<i>Sistema B</i> opens in Mexico	Under the roof of <i>CO_Plataforma</i> , <i>Sistema B</i> founded in Mexico to promote and lobby the B Corp model across the country.

<sup>12</sup> Crowd funding in Mexico, The Power of Digital Technologies to Transform Innovation, Entrepreneurship & Economic Inclusion. FOMIN and Massolution, 2016

## Characteristics of Mexican Social Entrepreneurs

The profile of social entrepreneurs in Mexico is described below, thanks to research carried out for the 2015 report “Redefining success in a changing world”<sup>13</sup> funded by the whisky brand Chivas, where 91 social entrepreneurs in Mexico were interviewed.

### Typical profile of the Mexican Social Entrepreneur

- ✓ 62% male vs. 38% female
- ✓ 42% aged 18-34 and 43% aged 35-54
- ✓ 77% are in the start-up stage – only 4% are more than 10 years old
- ✓ 75% are between early development stages up to 2 years old
- ✓ 82% have an annual revenue between 0- USD250,000
- ✓ 10% have an annual revenue between USD250,000 - USD1 million
- ✓ 51% are primarily focused on local causes
- ✓ Most popular sectors among social entrepreneurs:
  - 24% in the environment sector
  - 21% technology and innovation for good
  - 12% water and sanitation

## 3. Public Policy for social entrepreneurship and social innovation

One of President Nieto’s key reforms was to create the National Institute for the Entrepreneur (in Spanish, *INADEM*) which from its founding in 2013 until 2015 advanced 15 new investment vehicles which provided approximately 80 million USD over this three year period of funding and estimates that it can reach 500 high-impact entrepreneurs.<sup>14</sup> *INADEM*’s objectives are (i) to generate entrepreneurial vocations from an early age, (ii) to promote different kinds of entrepreneurship, especially women and high-impact entrepreneurship, (iii) to foster Micro Enterprises and SME’s consolidation and growth (by becoming more productive and competitive) (iv) to promote successful integration of Micro Enterprises and SME’s into global chains of supply, as well as establishing a positive environment for internationalization.

In 2014, the National Entrepreneur Fund (in Spanish, *FNE*) was created by merging the SME Fund (in Spanish, *Fondo PYME*) and the Entrepreneur Fund (in Spanish, *Fondo Emprendedor*). *INADEM* also supports Start-up Mexico an entrepreneur campus with incubation, co-working and events for startups in Mexico City, Merida and Leon. *INADEM*’s has two major grant programs, one to support incubators and another one for entrepreneurs, table 3 below shows the different programs.

<sup>13</sup> CHIVAS redefining success in a changing world. New views on social entrepreneurship. A summary of new survey data and opinion-leader interviews. 2015

<sup>14</sup> BBVA Centro de innovación, <http://www.centrodeinnovacionbbva.com/en/news/mexico-has-everything-become-entrepreneur#sthash.etuxRgXn.dpuf>

**Table 3. Summary of *INADEM*'s grants**

<b>Grant Name</b>	<b>Strengthening Business incubators and non-traditional incubation schemes</b>	<b>Encourage Entrepreneurs and Enterprises through the High Impact Entrepreneurship Program</b>
<b>Target</b>	Traditional and High Impact Business Incubators accepted by <i>INADEM</i> , Transition Incubators and Entrepreneurs under non-traditional incubation schemes	Entrepreneurs, Micro, Small and Medium Enterprises
<b>Aim</b>	Support the establishment of competitive and innovative enterprises	Support entrepreneurs and MSMEs which have high impact projects, in order to achieve a link between those projects and investment vehicles or financing schemes to enhance their successful expectations and impact level
<b>Amount</b>	Up to 593,000 USD per incubator	Up to 370,000 USD per enterprise

Regionally, the Yucatan Estate has also an Institute for Entrepreneurs (in Spanish, *IYEM*). Which offers support for entrepreneurs in the regional level and in recently started a social entrepreneur contest. In 2016 finally *INADEM* launched a contest for social entrepreneurs and Ashoka and *INADEM* have signed an agreement for cooperation. The only drawback of the institution is that it has very low impact measurement.

Another important actor in Mexico's social innovation is the Secretary for Social Development (in Spanish, *SEDESOL*), which aims to eliminate poverty through collectively and responsible human development, achieving adequate levels of well-being adjusting government policies. *SEDESOL* has been crucial in the development of the traditional social sector especially in rural areas. *SEDESOL* has long lasting social programs as part of the National Development Plan, supporting Mexicans during all the stages of life, from newborns to senior citizens. Examples of those programs are the Daycare Centers to Help Working Mothers, support for adults aged 70 and over living in rural areas, Recovery of Public Spaces, Temporary Employment, Agricultural Day workers Service, among others.

Finally, President Nieto's government established the Office of Co-ordination of Science, Technology and Innovation within the Presidential office. Its main objective is to increase Science and Technology policy coordination and implement the National Development Plan. In 2013, the Council for Science and Technology (in Spanish, *CONACYT*) launched a research grant scheme, Scientific Development Projects to Address National Problems, to deal with social challenges, such as climate change, sustainable development, health and food security. In the same year, it joined with the Ministry of Energy to create a sectorial fund, *CONACYT-SENER*, for sustainable energy. The fund supports STI solutions in the areas of energy efficiency, renewable energy, clean technologies and diversification of energy sources.<sup>15</sup>

<sup>15</sup> Innovation Policy Platform <https://www.innovationpolicyplatform.org/content/mexico>

## Social Impact Bonds

Social impact bonds (SIB), also known as a Pay for Success Bond or a Social Benefit Bond, is a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings. The first SIB was launched by UK-based Social Finance Limited in 2010 to reduce the reinsertion rates of prisoners. The Multilateral Investment Fund (MIF) and the Inter-American Development Bank (IDB) have studied the development of SIBs in Mexico in order to see the level of cooperation between governments, the social sector, and impact investors in order to improve the access to and quality of public services for vulnerable populations. MIF believes that Mexico has the correct conditions to promote this new financial instrument and national and regional governments are already exploring using it in issues such as economic empowerment of single mothers, improving educational outcomes and at-risk youth.<sup>16</sup>

### Legal structures for social enterprises

Although most social enterprises take the form of Innovation Promotion Corporations (*Sociedad Anónima Promotora de Innovación, SAPI*), there are also other legal forms, such as the Variable Capital Corporation (*Sociedad Anónima de Capital Variable, SASV*) or Simple Liability Company (*Sociedad Anónima Simplificada, SAS*). Intermediaries like *CO\_Plataforma* are a Civil Association. Table 4 summarizes the characteristics of the different legal structures types that are most commonly used for social enterprises.

**Table 4. Legal structures for social enterprises**

Name	Name in Spanish	Description
<b>Innovation Promotion Corporations</b>	Sociedad Anónima Promotora de Innovación (SAPI)	Most legal format used for social entrepreneurs. It is a new structure that can distribute equity and receive investment.
<b>Variable Capital Corporation</b>	Sociedad Anónima de Capital Variable (SASV)	Is the most common for traditional business, not entrepreneurs. A reform was made so that they could receive capital investment.
<b>Simple Liability Company</b>	Sociedad Anónima Simplificada (SAS)	New structure created in 2015 to enable entrepreneurs to register a company in 24hours, on line and free of charge. There are some limitations, however a good step previous to creating a SAPI.
<b>Civil association</b>	Asociación Civil	Not-for-profit structure most commonly used for NGOs and socially oriented organizations.

One of the major issues social entrepreneurs have is that they can't have a legal structure which enables them to simultaneously accept tax-deductible donations and collect income from the sales of products or services. As a consequence, many establish a not-for-profit to receive grants and for-profit organization to sell services and products. Alternatively they can form a *SAPI* or any other traditional business model and lose the normal 16% in tax deductions for not-for-profits. Having a specific legal structure for social enterprises, such as the Benefit Corporation in the US would be useful for this reason but also would help create a standard around social impact measurement, as Mexico's norms differ widely between not-for-profits and for profit entities. Also the public sector could promote the procurement of products and services of this type of institutions

<sup>16</sup> Zachary Levey and Alexander Honjiyo, The State of Social Impact Bonds in Mexico: A MIF Perspective

if public procurement policy included social and environmental criteria around contracting service providers.<sup>17</sup>

## 4. Key ecosystem players

### 4.1 Overview of ecosystem players

The following section highlights the key organizations that support social entrepreneurship and social innovation in Mexico from the public, private, financial and academic sectors. This selection does not include the multiple organizations that support entrepreneurship or innovation per se. In the public sector *INADEM* has the leading role and is the leading agency behind the creation in 2015 of the entrepreneurship “campus” Start Up Mexico. The old-school intermediaries are Ashoka and New Ventures. Most important investors are *Promotora Social*, *Adobe Capital* created by Ventures, *Ignia* and *Spectron*. In general there is a good level of collaboration across the players.

### 4.2 Details of selected players

#### 4.2.1 Public sector players

Key public players from the Mexican government have been described in the section above with the current public agency being *INADEM* as an independent agency of the Ministry of Finance. It is viewed a recent significant injection of public support for social enterprise especially through the open calls from both *INADEM* and the Yucatan Entrepreneurs Institute (in Spanish, *IYEM*.)

Public support program for for social entrepreneurship and social innovation							
Name	Competitions/ Open innovation	Training	Incubation/ Acceleration	Research	Finance	Coworking	Activity
INADEM	x			x	x		The National Institute for Entrepreneurs (in Spanish, <i>INADEM</i> ), established in 2013 to support entrepreneurs. Since 2015 it has a social entrepreneur contest.
Innovation, Science and Technology Department, Jalisco	x	x		x	x		Jalisco Regional Governments specialized department for innovation organizes the Epicenter Innovation Jalisco festival. It also hosts a entrepreneur lab for science and technology based companies with social impact.
Start Up Mexico		x	x			x	First campus for entrepreneurs in Mexico City, Merida and Leon. It offers a start up incubator, competitions and network. In partnership with Disruptive Business Academy it offers training programs.
MIF (IADB)					x		Supports the development of Social Impact Bonds in Mexico and in 2015 undertook a study of Crowd funding in Mexico. Also delivers support for social enterprise historically in the country.
SEDESOL		x			x		Government’s Secretariat of Social Development, one of the many programs is to support social economy, and has awarded prizes to several social enterprises including <i>Echale a tu casa</i> and <i>Sistema Biobolsa</i> .

<sup>17</sup> Ashoka, Social Entrepreneurship in Mexico and Central America. Trends and Recommendations. 2015

IYEM		x			x		The Yucatan Entrepreneurs Institute (in Spanish, <i>IYEM</i> ). Together with Yucatan government, Pormotora Social and Startup Mexico they have launched a social entrepreneur contest in Yucatan.
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#### 4.2.2 Specialized intermediaries & physical spaces

Mexico has a rich ecosystem of specialized intermediaries and physical spaces in both the social entrepreneurship and social innovation arena. Even though most of them are not more than 5 years old in the country, the level of collaboration between players is significant. Two key players are Ashoka and New Ventures, creating a lot of awareness, energy and resources across the public and private sectors and academia. *CO\_Plataforma* is increasingly an important actor bringing to Mexican soil successful international intermediaries such as Makesense, *Socialab Mexico*, *SVX* and *Sistema B*. Regional ecosystem are also flourishing in Jalisco, Yucatan, Guadalajara and Monterrey. Guadalajara was also selected by Silicon Valleys' Hackers-Founders to support 10 high-tech entrepreneurs every financial year.

Specialized intermediaries & physical spaces							
Name	Competitions/ Open innovation	Training	Incubation/ Acceleration	Research	Finance	Coworking	Activity
Agora Partnership			x		x		Agora Accelerator, a 6-8 month program designed to provide entrepreneurs access to the knowledge, networks, and capital they need to succeed.
ASEM		x					National Association of Mexican Entrepreneurs. Great synergies with projects in early stages, and also in bigger scales.
Ashoka		x			x	x	Supports several programs for entrepreneurs :Venture & Fellow, <i>Avancemos</i> , Ashoka Support Network, Ashoka & You and <i>Ciudadanía Económica para Todos</i> . In Mexico since 1987 The second-largest and second-oldest Ashoka program in Latin America (next to Brazil), Ashoka-Mexico has supported 116 Mexican Fellows.
ANDE		x		x	x		Aspen Network of Development Entrepreneurs is a global network supporting entrepreneurship in emerging markets to have social and environmental impact. It offers financial, business training and business development services to entrepreneurs.
Co_Platform	x	x	x	x		x	Co_Platform was established in 2012 to strengthen the support infrastructure for social enterprises in Mexico. It launched Makesense, Socialab Mexico and <i>Connovo</i> in 2014. <i>SVX</i> and <i>Sistema B</i> in 2015, <i>Disruptivo.tv</i> and <i>Village Capital</i> in 2016. It offers non-financial services for the social intermediaries focused in their impact target.
Connovo		x	x		x		Founded in 2014 as a social company builder, working with proven social enterprises to help them to implement and scale impact in Mexico. Currently building three businesses in Mexico.
Disruptivo.tv					x		Communication platform specialized in the social entrepreneurship, startups and innovation. It offers multimedia contents such as podcast, video, blogs, e-books, and more
Endeavour	x		x	x			NGO that supports long term economic growth by selecting, mentoring, and accelerating entrepreneurs with high global impact and carries out cutting edge research around social entrepreneurship.

Impact HUB DF and Monterrey			x			x	Impact Hubs act as innovation lab, business incubator, and community center, offering members resources, inspiration, and collaboration opportunities. Started in DF in 2011.
Incuba Social, Jalisco			x				NGO focused on design and social business incubation. Supported by the city of Zapopan to accelerate the management of community, environmental and cultural initiatives
MakesSense		x					An international community that rallies “SenseMakers and Gangsters” in 146 countries across the world to help social entrepreneurs solve challenges in education, health, environment, etc. Started in 2010.
Laguna Innovadora (Innovative Lagoon)		x	x				Organizes International Festival for Social Innovation, “fuckup nights”, employment fairs, hackathons and helps to assess entrepreneurs applying to INADEM funds, workshops and trainings.
Mass Challenge			x				Accelerator that organizes equity-free cash awards through global network of accelerators in Boston, London, Jerusalem, Lausanne and Mexico City to help social enterprise grow and scale impact. Launched in Mexico in January 2016
Micromentor		x					Mentorship and social network program, free for entrepreneurs and plug and play system for companies and NGOs, Volunteer business mentors and web-based platform to support social entrepreneurs.
New Ventures	x		x			x	Since 2004, is the leading platform supporting social and environmental entrepreneurs and strengthens the supporting ecosystem in Mexico and Latin America. New Ventures has 3 areas of focus: 1) Financing (Adobe Capital); 2) Acceleration (I3 LATAM, Momentum Project, New Ventures StartUps, among others); and 3) Promotion (FLII, Las Páginas Verdes, Ecofest, and Tiper, etc.)
Nest						x	Nest is a coworking space that brings together entrepreneurs, freelancers, start-ups, and creative people from multiple disciplines in a comfortable space and equipped to operate, develop projects, form a community and share ideas.
Numa mexico (old Venture Institute)	x		x			x	NUMA supports entrepreneurship and innovation through a variety of activities: acceleration programs for start-ups, open innovation projects for corporates, events and co-working spaces for communities.
Posible / Fundación Televisa	x						Since 2013 the NGO <i>Possible</i> is a program that provides tools, contacts and resources for entrepreneurs at the early ideas stage to develop business plans.
Social Valley		x					The Social Entrepreneurship and Social Innovation platform for the Metropolitan Area of Guadalajara, Mexico with monthly meetings and networking events for social innovators to network.
Socialab Mexico			x			x	Social transformation platform that supports, creates, identifies, and accelerates idea stage entrepreneurs and transformative business.
SVX Mexico	x		x				Inspired by SVX Canada this private company support social entrepreneurs in getting their business models ready for investment and connects investors with social entrepreneurs.
Transfo NGO	x					x	Transforms social projects in business to become less dependent on donations and scale their impact. Transfo has an impact investment fund
Unresasonable Institute			x	x			International accelerator. In Mexico it has supported 14 social entrepreneurs who address major social problems at scale. Problems like poverty, lack of education, and access to clean water.



### 4.2.3 Academia

Social innovation within academia is slowly picking up in Mexico, with new players starting to develop teaching programs, research, incubators and other activities related to social entrepreneurship and social innovation. There are several universities supporting Ashoka Change Makers and Ashoka U together with the National Autonomous University of Mexico (in Spanish, *UNAM*) are developing a diploma in social entrepreneurship. Other universities in Monterrey, Puebla, and other regional hubs have started to be part of the social innovation ecosystem. There are also several university related accelerators in technology, innovation and SME development.

Universities & Business Schools							
Name	Competitions/ Open innovation	Teaching	Incubation/ Acceleration	Research	Finance	Coworking	Activity
Autonomous Tech Institute of Mexico (in Spanish <i>ITAM</i> )		x		x			EPIC Lab, a research center at the <i>ITAM</i> for creativity, innovation and Entrepreneurship. Supports students in entrepreneurship development training and skill development and research.
IDEARSE (Anahuac University)			x				IDEARSE is an incubation program within one of the leading Mexican Universities with 9 campuses nationwide and a network of 30,000 students. US\$1.25 million has been secured in grant funding from MIF to help raise funding for 2,000 entrepreneurs or small business owners and start-ups through crowd funding.
University of Monterrey ( <i>UDEM</i> )		x		x			University of Monterrey- organized the Social Business Lab with the Grameen Creative Lab and Ashoka. Offers a specialized postgraduate in Social Responsibility and Sustainability.
School of Commercial Banking ( <i>EBC</i> )		x		x			Business School which has partnered with Ashoka to do boot camps and other events for social entrepreneurship. It offers several business degrees.
National Autonomous university of Mexico ( <i>UNAM</i> )		x		x			Undergraduate Program in Creation, Development and management of Social Enterprises. <i>UNAM</i> in collaboration with The Grameen Creative Lab hosted a workshop about social business in 2014
Technology Institute Monterrey		x		x			A private, non-profit educational institution, with an action model for social entrepreneurship where they strengthen ethical and citizenship competencies through curricular and co-curricular programs. It is a Change maker Campus.

### 4.2.4 Financial Support Programs

One of the big challenges in Mexico's social innovation ecosystem is one of the few specialized funds for startup stage and early growth stage. The main organizations supporting social entrepreneurs have been *Ignia* and *Promotora Social*. Many of the actors described in the table below have only been in Mexico City for the last 2-3 years. There is however a tendency among all investors to

measure social impact, and the culture of using the GIIS metrics or becoming a B Corp certified company is growing. Also, funds are exploring how to scale up their business through government collaborations. In Mexico there are many local funds because there is an entrepreneurship culture and the organization of the FLII has also helped further develop the impact investment sector in Mexico, positioning the country as a leader in this field in the region.

<b>Organizations that finance social entrepreneurship and social innovation</b>					
<b>Name</b>	<b>SEED STAGE</b>	<b>EARLY STAGE</b>	<b>GROWTH</b>	<b>SCALING</b>	<b>Activity</b>
Adobe Capital			x	x	Impact investment fund focused on triple bottom line businesses that drive social and environmental impact with innovative, profitable and scalable models. Invests in Mexican companies with fewer than 50 employees, with less than 5,000,000 USD in sales and strong growth potential.
Angel Venture Mexico	x				Incubation and investor. Co- Investment Fund actively investing in technology companies, health, base of the pyramid, agro- business and retail. Investing between US\$ 100k and US \$ 2M per company.
<i>El Buen Socio</i> (The Good Partner)					Social lenders who finance agricultural projects for farmers who do not have access to financing and who farm, forest, or fish in an eco-friendly way with sustainable use of natural resources. It also provides financial education training, opportunities to connect with new markets and help with business model planning.
Co Capital	x				Co Platform will launch in 2016 a fund to support social enterprises in the seed stage.
FUNDEMEX	x	x			Foundation of Business Managers in Mexico has a program to support linkages and strategic alliances among social enterprises.
Halloran Philanthropy	x				American organization based in Philadelphia which has invested in Adobe Capital, Impact Hub Mexico and the Oaxaca Learning Center the organization supports the ecosystem in various ways.
<i>IGNIA</i>		x	x		First local impact investment fund supports high growth enterprises serving the base of the socio-economic pyramid in Mexico. IGNIA is focused on areas with high impact on the lives of low income families, such as healthcare, housing, financial services and basic services (water, energy and communications).
Kiva	x				Not-for-profit organization with a mission to connect people through lending to alleviate poverty. Leveraging the internet and a worldwide network of microfinance institutions. In Mexico they have worked mainly

					with social enterprises such as Sistema BioBolsa or Echale a tu Casa.
Momentum Project (BBVA)	x				Spanish Bank BBVA, New Ventures, EGADE Business School of Technology Institute of Monterrey and PWC launched this initiative in Mexico. The program was launched in 2015, promoting seed funds for social ventures that have at least 2 employees, minimum annual turnover of 80.000 USD and more than 2 years of operation (among other criteria). Winners receive 13.5k US\$ worth of training and incubation.
Social Promotor Mexico		x			Venture philanthropy organization with the goal to positively impact the development and well-being of Mexicans through health, education, and economic development.
ALL VP (formerly Venture Partners Mexico)			x	x	Seed Innovation Trust (SIT I) fully invested fund with twelve portfolio companies across four main sectors. Consumer internet is the leading portfolio industry and the Venture Innovation Fund II (VIF II) with 8 portfolio companies plus an approved investment in Weex pending formalization. More than 72% of the Fund remains unallocated.
<i>Spectron Desarrollo</i> (Spectrom Development)		x		x	Impact fund for early stage and mature stage businesses (more than US\$ 10M sales). The organization also supports the public sector and attracts private investments.

## 5. Examples of social enterprises

In this section we highlight a selection of social enterprises founded in Mexico to complement the two case studies *Sistema Biobolsa* and *Echale a tu Casa*. The selection has been made with three criteria; the organization's primary focus is to resolve a specific local social or environmental problem, there is a sustainable business model and finally capacity to scale.

**Table 5. Examples of Social Enterprises in Mexico**

Name	Legal Format	Year founded	Description
Sistema Biobolsa	Limited Company	2010	Manufactures, installs and facilitates finance for high quality, affordable biodigester technologies, empowering farmers with long term sustainable resource management solutions. <a href="http://www.sistemabiobolsa.com">http://www.sistemabiobolsa.com</a>
Echale a tu casa	Foundation, Limited Company & Community Finance Company	1997	Offers an affordable and sustainable housing solution for vulnerable communities that includes who community development, financial education, low cost financing and low employment. <a href="http://www.echale.com.mx">http://www.echale.com.mx</a>
Cursame	Limited Company	2011	Creates social networks specifically designed for online learning by providing tools that enhance interaction in the teaching-learning process, to create and share academic material in an easy, collaborative and accountable way <a href="http://cursa.me/es">http://cursa.me/es</a>

Ilumexico	Limited Company	2009	Promotes community development through energy access with solar powered home systems in rural communities. <i>Iluméxico</i> works through via an intermediary, such as the local government or another locally trusted organization. <a href="http://ilumexico.mx">http://ilumexico.mx</a>
Sala Uno	Limited Company	2011	Provides specialized eye-care procedures to a large and underserved market in Mexico <a href="http://www.salauno.com.mx">http://www.salauno.com.mx</a>
Clinicas de Azucar	Limited Company	2010	Chain of low-cost health clinics that support the 90 percent of diabetics in Mexico with limited access to treatment <a href="http://www.clinicasdelazucar.com">http://www.clinicasdelazucar.com</a>
Biodent	Limited Company	2010	Franchise of low-cost dental clinics, particularly in rural and low-income communities, complemented by proactively intervening in schools and communities to teach dental hygiene. <a href="http://www.biodent.com.mx">http://www.biodent.com.mx</a>
My coffee Box	Limited Company	2013	Business that supports coffee farmers and fair trade, with delivery of organic coffee at an affordable price. For the equivalent of 50 cups of organic coffee clients supports 6,500 small producers. <a href="https://mycoffeebox.com/">https://mycoffeebox.com/</a>
Tenoli	NGO	2014	Offers tools to build capacities, access to resources and opportunities for micro-businesses; fostering inclusion into the formal economy by providing a platform to connect micro-businesses with public and private sector players. <a href="http://tenoli.org">http://tenoli.org</a>
Finae	Limited Company	2006	Provides student with finance for studying at University at an affordable monthly payment, and payback once they have started working having a high impact in their expected income <a href="http://www.finae.com">http://www.finae.com</a>
Rhizomatica	NGO	2009	Mission to provide access to mobile telecommunications to the 2 billion people without affordable access and 700 million with none at all. Mobile access projects for development and community organization in Mexico and Nigeria. <a href="https://rhizomatica.org">https://rhizomatica.org</a>
Previta	Limited Company	2004	Prevention telemedicine services integrated by cellular phone technologies and mobile units for the detection, monitoring, and control of chronic diseases like diabetes, hypertension, obesity, and others. <a href="http://www.previta.com.mx">www.previta.com.mx</a>

## 6. Final Reflections

Mexico's support system for entrepreneurship and innovation is young but strong. With multiple organizations offering open innovation competitions, co-working spaces and other support for startups however most do not have a dedicated social entrepreneurship program or are just starting with it in 2016. At the same time there is a strong culture of social entrepreneurs working independently. While some ecosystem intermediaries already collaborate with each other to increase impact, there is room for more cross-sectorial engagement. For example, *Makesense* and *Ashoka* are working together in water projects and the acceleration program *SenseCube Mexico* and *Ashoka* and *New Ventures* on a regional acceleration program focused on outstanding Latin American social entrepreneurs called *I3LATAM*. The new generation of social entrepreneurs is looking not only at a national scale but also at the Latin America scale, and there isn't much in terms of a regional support system.

### Public support programs

The Mexican government has successful specialized entities and policies for entrepreneurs and for social issues. However they are not working together. *INADEM* is moving slowly to include social innovation in its portfolio but local ecosystem actors still feel reluctant to work with the public

sector. *SEDESOL* has long standing programs that could in the future include social entrepreneurs as main delivery institutions, perhaps with opportunities for delivery through Social Impact Bonds.

Moreover, current legal structures make it difficult for social enterprises to have investments and donations under current Mexican law. The main ecosystem players in Mexico could lobby to create a formal social business legal status, which could not only benefit the social entrepreneurs, but also diminish the disparity between for profit and not-for-profit organizations, and encourage more private investment if it is accompanied by fiscal advantages.

### **Specialized intermediaries, physical spaces and academia**

Mexico has a good level of ecosystem specialized intermediaries and physical spaces in both the social entrepreneurship and social innovation arena. Even though most of them are not more than 5 years old in the country, the level of collaboration is outstanding. Also, regionally there are several players in the ecosystem. The main challenge they face, is that accelerators should also start to help entrepreneurs in not only acquiring skills to pitch in front of investors but also show them how to develop solid operational plans and diverse strategies for scale. Another challenge is how the intermediaries can work with established corporations to increase interactions with social entrepreneurs. This will benefit social entrepreneurs' integration in already established value chains.

The involvement of the academia sector is low, compared to other countries in the region and the level of growth of specialized intermediaries in the last 5 years in Mexico. Hopefully with the establishment of a diploma in social business this will change.

### **Financial support**

As is the case for many countries in Latin America the main challenge is that there are few funds for startups and early stage business in Mexico. Also, there is a need for alternative financing when entrepreneurs growth strategies does not include investment. According to *Kiva* team members in Mexico there are several social business that are looking for financial platforms to pay for their services when government and private sector are unable to offer. Social Impact Bonds and Crowd funding platforms are two mechanisms that may see more growth in the future and will require more engagement of the public sector in this regard is needed to really make them successful. Investors should also work to develop smaller financial products that meet the needs of social entrepreneurs in early stages.