

Mexico

Author Dr. Jorge A. Pérez Pineda | Date July 2012

Overview

Mexico is the third largest country in Latin America, and has a solid market economy. The administration of former President Calderón promoted public policies with a long-term focus to create employment and income for the country's poorest inhabitants. The government programme "Vivir mejor" ("living better") works to improve education, health, and housing for the poor and helps them to start their own business.

Nevertheless, 46.2% of the Mexican population live in poverty. Their income is not enough to satisfy basic needs, and they lack at least one of the following six indicators: education, access to health services, social security, housing, basic services (water, electricity, heating, sanitation) and food. There is great regional inequality with the poorest region being the southeast. In one of the region's states, Chiapas, 78.4% of the population are considered poor.

While some regions are poorer than others, indicators continue to be low all over Mexico. 20.6% of the Mexicans receive little education beyond secondary school, 31.8% of the population do not have access to health care, 60.7% do not benefit from social security, 15.2% do not have access to basic services at home, and 24.9% don't have access to adequate amounts of food.*

Rural grocery or drug stores and mobile hospitals could be a business opportunity to solve these problems.

There are several sectors in which inclusive business models could potentially operate: for example, Mexico is rich in natural resources and fertile soil, which offers possibilities to include local communities in agribusiness processes for a wide variety of crops and raw materials.

The country has also the potential to exploit energy sources including gas, wind, or solar radiation, which could provide business opportunities for private companies in that sector.

Since one of the main pillars of the Calderón's administration was the creation of infrastructure, there are business prospects in construction – projects like roads, harbours, and airports. Companies can employ low-income people for these large-scale projects. A recent study from the Consejo Coordinador Empresarial (Council of Firms) found that, in Mexico, a main constraint to overcoming poverty is lack of resources. The council developed three recommendations to end poverty: 1.) Develop the financial market for the poor, as they have initiative but little capital, or access to financial services, 2.) Use technology to support health, education, and communication initiatives in rural areas, and 3.) Work with government to facilitate infrastructure and local microenterprises.

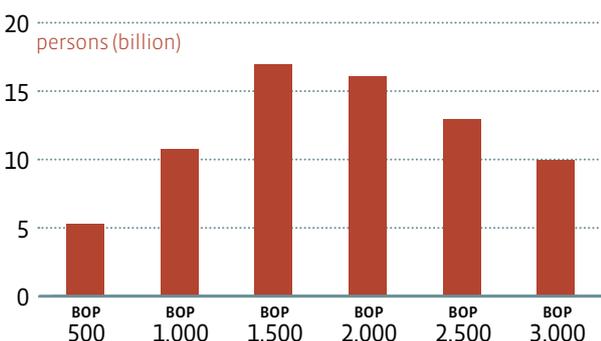
The new federal law on public private partnerships (PPPs) and programs such as the National Fund for the Support of Business in Solidarity (FONAES), could help bridge the resource gap.

Market Data

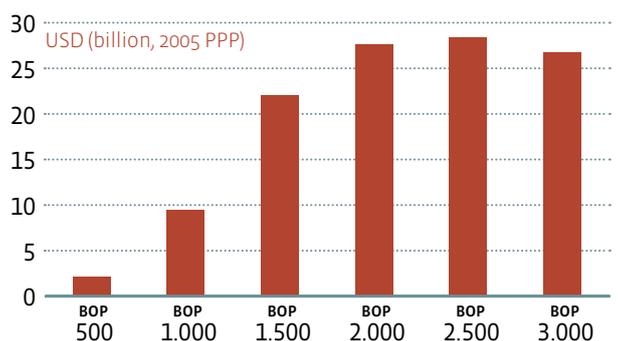
Population (2010 estimate)	113.7 million
Percentage of the population with an income < \$3,000 (2008)	56.33%
GDP (nominal, 2010 estimate)	1.0 trillion
Average GDP growth per year, 1997-2007	5.5%
GDP / per capita (by purchasing power parity, 2010 estimate)	\$13,900
Unemployment rate (2010 estimate)	5.6%
Gini ranking 2010	27/136
HDI ranking 2011	58/172
CPI ranking 2010	98/178

* Data on poverty from CONEVAL, 2010.

Population in the different BoP segments



Total income in the different BoP segments



BOP500 = below USD 500 per year; 2010 data; Population data taken from / total income data estimated based on World Bank's PovcalNet.

// Examples

MiTienda is a social business engaged in rural distribution of food and other basic products in Mexico. It is focused on improving local supply chains. The company supports entrepreneurs from low-income communities in establishing their own stores, and also operates a network of warehouses. Through their work, MiTienda reduces prices for store-owners and consumers and improves variety and quality. 620 stores in 11 municipalities are currently in operation. Sales are around \$300,000 US dollars per month.

Toks is a chain of 84 restaurants, in the main cities across the country. Through their programme “Proyectos productivos Toks” (“productive projects”), the company sources homemade food from suppliers in poor communities. In 2009 the programme benefitted 4,000 people.

CEMEX The cement producer has two low-income programs: the well known “Patrimonio Hoy” that provides low-income families with access to housing and the less recognized “Centros Productivos de Autoempleo” (“productive centres for self-employment”). Since 2007, this initiative enables low-income families to produce their own construction materials. They use the materials either for their own houses, to improve public spaces, or for sales. In 2009, United Nations HABITAT recognized both initiatives with its Business Award.

Mi Farmacita Since 2003, this pharmacy chain has offered high-quality medicines to low-income households, as well as health services at a low cost (starting at \$2.30 USD). It is a business in expansion, and has 40 branches in 17 Mexican states.

// The information about the companies was taken from their web sites.

// Trends

We are thankful to Gregorio Barcala, professor at the Universidad Anahuac Norte in Mexico and consultant specialized in Social Enterprises, who gave us this brief interview.

How is the society going to develop?

Mexico offers great potential for inclusive business, with a large poor population but decent infrastructure and policy frameworks. However, we are in the early stages and there are few initiatives.

Which sectors currently offer the greatest opportunities?

Mexico has great potential for providing low-income consumers with access to housing, health and education.

Is the support by the government likely to change?

There is pressure from the private sector to support inclusive business initiatives. Today, there are two public programmes focused on the low-income segment. “Esta es tu Casa” (“This is your house”) from the National Commission on Housing (CONAVI) supports people with a monthly income lower than \$900USD in acquiring housing. The National Fund for the Support of Business in Solidarity (FONAES) helps to establish social businesses.

What are future risks?

There are two risks from a policy perspective. The first one is that the large companies take the public support as additional income and do not use it to build up inclusive business models. The second is that so-called inclusive businesses might make people worse off, if the employer distorts the spirit of the business and does not pass the profit on to low-income employees.

// Directory

Literature & web sites

- Ibero American network of inclusive business (head office in Ecuador) | <http://www.negociosinclusivos.org>
- Helena Ancos (editor) *Negocios inclusivos y empleo en la base de la pirámide*, 2011
- Patricia Márquez, Ezequiel Reficco y Gabriel Berger (editores) *Negocios inclusivos. Iniciativas de mercado con los pobres de Iberoamérica*. 2010. David Rockefeller Center for Latin American Studies, Harvard

Contacts & support

- Movimiento BDP, Firms against poverty (Commission on studies of the private sector for the sustainable development CESPEDES) | <http://www.movimientobdp.org/>
- National Council for the Evaluation of the Social Development Policy | <http://www.coneval.gob.mx>
- New Ventures Mexico Part of the “new ventures” program of the WRI, incubator and consultancy for inclusive business | www.nvm.org.mx/

Fact sheet editor



Dr. Jorge A. Pérez Pineda is an associated expert of Endeva Institute, Berlin, and a Research-Professor at the Instituto Mora and the Universidad Anahuac Norte in Mexico. He currently conducts research on CSR in Mexico. j.perez@endeva.org