



## Promotora Social México

Investment and close guidance for social businesses

The intervention model applied by **Promotora Social México** encompasses a large segment of the continuum of capital to support organizations with a high social commitment. That is the case of Clínicas del Azúcar, a social business that has managed to replicate a low-cost, effective health care scheme against diabetes. Promotora Social México has supported Clínicas del Azúcar with financial and non-financial support, so that clinic could become a key actor to address one of the most important health issues in Mexico.

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### LOCATION:

#### Promoter:

National - Mexico

#### Impact on:

States of Nuevo León, Coahuila, Jalisco, and Chihuahua



### MAIN PARTNERS:

- International Finance Corporation (IFC)
- The Social Entrepreneurs Fund (TSEF)
- Serious Change
- The Enlightened World Foundation
- Roots of Impact



### TYPE OF INVESTOR/SILO:

Financial institutions, banks, asset promoters



### FINAL BENEFICIARIES:

Low-income people with diabetes



### SECTOR:

Health



### DURATION:

2013

-now



### MOTIVATION/PROBLEM TO TACKLE:

Provide quality, affordable health care for people with diabetes, a disease that is highly prevalent in Mexico.



### NON-FINANCIAL SUPPORT OFFERED:

- Impact management and measurement
- Business model and/or strategy
- Governance



### SDGS ADDRESSED:



### TYPE OF FINANCING:

Equity and debt

### RESOURCES INVESTED OR DONATED:

USD 3,886,169

### IMPACT:



More than

25,000

patients attended.

73 %

are **medium and low-income** people who received specialized care for the first time.

**Reduction of glucose levels** to a range that does not pose risks (less than 7.5%) among

63 % of the patients,

compared to **only 24%** of the patients in the **public sector clinics**, and even better than those of the main **private clinics (60%)**.



## BACKGROUND AND CONTEXT

Diabetes care is one of the main challenges for the Mexican health system. More than 15.9% of adults in Mexico suffer from this disease, which is more than twice the average in OECD countries (6.9%).<sup>1</sup>

48.9% of people with diabetes are at high risk of having a stroke, heart attack, kidney failure, or vision loss. This is why appropriate diabetes follow-up is essential to ensure the stability of the patients' health. However, of the people who know that they have diabetes, 14.2% (almost one million Mexicans) had not seen a doctor for a routine checkup of their condition<sup>2</sup>.

The complications for people with diabetes, laboratory studies and tests required, and extended hospital stays compared to other diseases put the financial capacity of the public health system – and the pockets of those who choose to go to private hospitals – under great strain. The quality of the care provided, according to the Quality Index of Diabetes Care in Mexico, is only 67.3% in public institutions.<sup>3</sup>

In this context, Clínicas del Azúcar was born in 2010 as a center specializing in diabetes prevention and treatment, providing quality services at affordable prices for the poorest income brackets of the population by using cutting-edge technology.<sup>4</sup> In 2013, Promotora Social México (PSM) decided to invest in Clínicas del Azúcar for the first time.

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<sup>1</sup> OCDE, (2019). Estudios de la OCDE sobre los Sistemas de Salud México: Resumen Ejecutivo y Diagnóstico y Recomendaciones. Organización para la Cooperación y el Desarrollo Económico. 2019. Accessed at: <https://www.oecd.org/health/health-systems/OECD-Reviews-of-Health-Systems-Mexico-2016-Asessment-and-recommendations-Spanish.pdf>

<sup>2</sup> OCDE, (2019). Op cit.

<sup>3</sup> Comisión Nacional de Arbitraje. Boletín CONAMED No. 23. Accessed at: <http://www.conamed.gob.mx/gobmx/boletin/pdf/boletin23/b23-3.pdf>

<sup>4</sup> PSM, (2019). Promotora Social México: 10 años de impacto social. Promotora Social México. México, 2019.



## DESCRIPTION

PSM focuses on impact investment and venture philanthropy. Through an intervention scheme covering a large segment of the continuum of capital, PSM bolsters social businesses and organizations with a high social commitment. PSM tries to identify investment opportunities that generate financial returns, with the objective of improving the lives of people in terms of health, education, economic development, and early childhood development.<sup>5</sup>

Clínicas del Azúcar is characterized by its *one-stop-shop* system. Its patients can receive specialized medical attention and find medicines and other health products or services in one single place.<sup>6</sup> They can purchase an annual membership that gives them access to a series of services like medical consultations, diagnoses, and nutritional and psychological services. In this way, they reduce their transportation costs, maximize their time, and can receive proper follow-up.

Even though it has 16 sites,<sup>7</sup> its growth has not been without difficulties. The first important barrier has been the lack of access to financing. Few investors are willing to put their money in social businesses, as they perceive a high level of financial risk.

Promotora Social México has been one of the first organizations to invest in this social business. It has also helped bring together more partners to finance the project. Thanks to that, the enterprise is currently supported by different impact funds, financial institutions, and international investors and agencies, such as the International Finance Corporation (IFC), The Social Entrepreneurs Fund (TSEF), Serious Change, and The Enlightened World Foundation.



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<sup>5</sup> PSM, (2020a). Algunas de las OSC con las que trabajamos. Promotora Social México. México, 2020. Accessed at: <http://www.psm.org.mx/filantropia-estrategica.php#osc>

<sup>6</sup> PSM, (2016). Innovación social: Creando soluciones para la vida. Promotora Social México. México, 2016.

<sup>7</sup> Clínicas del Azúcar, (2020). Clínicas. Accessed at: <https://www.clinicadelazucar.com/contacto/>



## IMPLEMENTATION

The intervention model that PSM follows comprises three pillars: articulation of actors, strengthening, and financing.

Articulation has been fueled by means of partnership creation to promote intersectoral collaboration and thus scale up changes in the organization. Strengthening, in the case of Clínicas del Azúcar, implied providing the organization with operational and governance capacity in order to achieve a greater impact and scale. And financing is provided based on the needs of the organizations by means of investments, flexible credits, or donations.

### Tailored Finance

PSM offers two types of financing mechanisms: donations for philanthropical initiatives and investments and debt for impact investments (see Figure 1).

Impact Investment finances social and/or environmental impact businesses that meet financial sustainability and scalability criteria. As of 2019, PSM has supported, by means of investments – capital or debt –, up to 21 enterprises and 5 investment funds, including Clínicas del Azúcar.<sup>8</sup>

The PSM Investment Committee is the executive body in charge of authorizing or rejecting the applications for investments. The decision to invest in an enterprise is made by means of criteria such as:

- 1 Stage: Mature enterprise, preferably with fundraising experience.
- 2 Geographical location: Mexico or Latin America, as long as Mexico is part of the short-term expansion strategy.

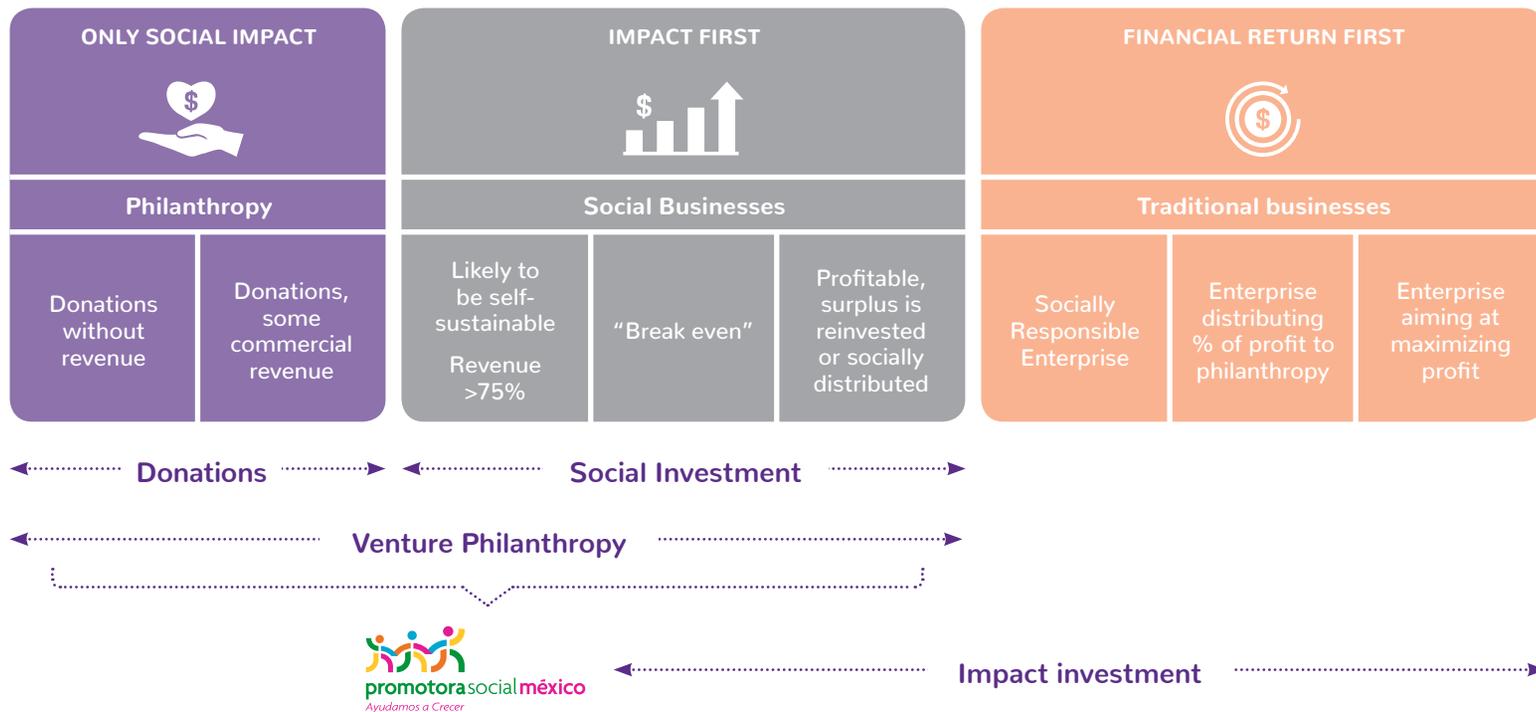
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<sup>8</sup> PSM, (2020c). Nuevos Criterios de Inversión. Promotora Social México. México, 2020. Accessed at: <http://www.psm.org.mx/inversion.php#criterios-inversion>

- 3 Sectors: Health, education, clean energies, social mobility, construction and real estate, trade and supply chains, and financial services.
- 4 Impact: The model provides access to goods and services, development opportunities for the most vulnerable population, and positive impact for the environment.
- 5 Ethics: Staff with a high sense of professional ethics and relevant experience.

**Figure 1: PSM continuum of capital diagram**

**Purpose as main focus**



Source: Promotora Social México 2020.

PSM is aware of the lack of financing adapted to social businesses. This is why, through its impact investment unit, it offers two types of financial services: loans and equity investment. Equity investment is handled as “patient capital”, without predetermined recovery period. By providing these two types of instruments, PSM aims at adapting its investment to the extent possible to the enterprise’s type of needs and goals.

The first contribution from PSM to Clínicas del Azúcar was made in 2013,<sup>9</sup> with which it has obtained 18% participation.

With the support of PSM, Clínicas del Azúcar tried to scale and replicate the model in other cities. For the second clinic, an investment was required for USD 1,500,000 of which Promotora Social contributed USD 800,000. Since then, Clínicas del Azúcar has organized five fundraising rounds that have allowed to create more medical facilities. In the last round, Clínicas del Azúcar raised close to USD 5,000,000.

### Non-Financial Support

PSM supports social businesses in organizational management, capacity building (social entrepreneurship, corporate governance, impact measurement, and partnership creation by means of workshops, conferences, training, and exchange among entrepreneurs and investors), and the development of the social impact ecosystem.

PSM provides tailored support according to the characteristics of the social businesses and the conversations it has with these enterprises. The goal of this is to consolidate the business’s management, create more opportunities, mitigate risk, and improve personnel management.

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<sup>9</sup> Clínicas del Azúcar received the first Harvard Philanthropy investment, along with other angel investors, who generally invest their money at the initial stage of emerging companies in exchange for equity interest. After the success of the first round, which led to the creation of the first medical center, Clínicas del Azúcar decided to undertake a second fundraising round. Harvard Philanthropy invited PSM to join this new round, given the significance of the social business’s results. Once PSM noticed that their visions were aligned around the search for social benefit, PSM contacted Clínicas del Azúcar through its impact investment arm to participate in its second round, which would then result in a long-term relationship.

PSM is also a part of the Board of Directors of the enterprise, which allows it to be involved in strategic decisions. This type of support is maintained until the supported social business becomes self-sustainable—when it becomes a more strategic support.

*“Promotora has never been a passive investor.” Pedro Castillo, PSM Director.*

The support provided by PSM opens the door for social businesses to get new investors. International funds are based to a great extent on its decisions, as it provides plenty of credibility about the profitability of social businesses and ensures better financial sustainability.

The partnerships motivated by PSM’s prestige have been one of the great benefits for Clínicas del Azúcar. Efforts are currently under way to expand this support network and thus increase the number of final beneficiaries of the project.



## RESULTS

PSM prepares quarterly and annual monitoring reports that reflect the impact metrics and operational and financial results of the businesses included in its investment portfolio. This information is submitted to the members of the PSM Investment Committee and the management team.

The indicators are developed along with the businesses it invests in. An advantage of projects like Clínicas del Azúcar is that impact indicators are linked to business and include number of patients, socio-economic data, sugar levels follow-up for patients seen, and the number of clinics opened. Some results achieved so far are:

- 1 More than 60,000 people diagnosed by means of free diabetes tests.
- 2 More than 25,000 patients attended, 73% of which are medium and low-income people who received specialized care for the first time.
- 3 The average reduction in blood glucose levels is 9.3% at the beginning of the treatment and 7.6% after six months.

- 4 This reduction has been achieved in 63% of its patients, compared to only 24% of the patients in public sector clinics. Its results are even superior to those of the main private clinics (60%).<sup>10</sup>

One of the business's main accomplishments has been its ability to attract ever more significant investments to finance its growth. Clínicas del Azúcar currently has 16 medical centers in four states: Nuevo León, Coahuila, Jalisco, and Chihuahua.<sup>11</sup>

Its work and impact have been recognized by international organizations such as Echoing Green, Ashoka, MIT Legatum Center, Endeavor, the World Economic Forum, and UBS Visionaris.<sup>12</sup>



## LEARNINGS AND PERSPECTIVES

PSM has identified important challenges in the dialogue with the businesses in which it invests. In the case of Clínicas del Azúcar, in spite of there being an excellent relationship based on trust, there have been rare occasions on which a slight misalignment regarding the path to follow to achieve the goal has been observed; for example, related to taking advantage of new investment opportunities involving a higher amount and risk. In this regard, being able to align the visions of both investors and social businesses is a very important challenge for this sector.

Another challenge is structuring the exit strategies for PSM. In the case of Clínicas del Azúcar – despite the fact that it provides an interesting return-on-investment potential – it is considered that PSM could withdraw its contribution, as the project has proven to be sustainable, institutionally solid, and with possibilities to access new investment opportunities. However, no exit strategy was established at the beginning of the intervention, and investments have been made “organically”. This is a significant aspect PSM could improve.

<sup>10</sup> IDB, (2018). Clínicas del Azúcar: Tecnología y servicios personalizados para combatir la diabetes y prevenir sus complicaciones. Inter-American Development Bank. 2018. Accessed at: <https://www.iadb.org/es/projects-search?query%5Bcountry%5D=&query%5Bsector%5D=&query%5Bstatus%5D=&query%5Bquery%5D=ME-L1286>

<sup>11</sup> Clínicas del Azúcar, (2020). Op cit.

<sup>12</sup> PSM, (2016). Op cit.



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The business realizes that, in spite of difficulties that may arise in communication, there is plenty of empathy around the mission, values, and growth with Promotora Social México.

*“We are very well aligned on this issue[...]they have also been very empathetic around growth and the stages we have gone through.”* Javier Lozano, founder of Clínicas del Azúcar.

Consequently, they have always made sure that negotiations are fair and well-balanced, since the decisions made during negotiations will have an impact in the long run.