

MARKET CREATION CASE STUDY:

How Mexico built a venture and growth capital market creating over 849,000 jobs

*Mexico's venture and growth capital market
2000s to present*

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Overview

In roughly twenty-five years, Mexico built a domestic risk-capital industry from the ground up. At the centre of it is a publicly anchored fund of funds (FoF), Fondo de Fondos, that played a critical role in providing cornerstone capital and creating the conditions to develop the country's nascent early-stage investment market. Now both domestic and international capital are flowing steadily into the market, and Fondo de Fondos is credited with creating more than 849,000 jobs through its financed companies.¹

This case demonstrates how systemic financing gaps can be addressed by mobilising different public and concessional sources, and how coordinated donor interventions can continue to strengthen the system as commercial capital moves in. Mexico shows what a maturing venture and growth capital market can look like when seeded with public money, then carried by commercial capital, with the state still able to re-engage when investment stalls. The approach may offer replicable lessons for other markets, including in Africa.

IN SUMMARY

- **There are 128 private-capital funds today**, up from a handful in the mid-2000s, spanning venture, private equity, real estate, infrastructure, and energy.^{2,3}
- **849,000+ jobs** have been created across Fondo de Fondos portfolio companies, via minority stakes in the funds that back them.^{1,4}
- **~45x reported leverage** on committed capital.¹ The market now runs mainly on international and domestic commercial money, though the state re-capitalised the anchor in 2026.⁴⁻⁶
- **~25 years** from no domestic asset class to a self-sustaining market, with most of the structure built during the initial 5-to-10-year window.

How the market developed

1. Breaking ground: forming the policy and institutions (2000s–2006)

During the early 2000s there was limited domestic risk-capital in Mexico, leaving crucial Growth Firms under-financed. State development banks recognised the gap and moved first to establish a capital vehicle that would allow private investors and other institutions to allocate their funds.

At the centre of this was **Fondo de Fondos** (the Corporación Mexicana de Inversiones de Capital), operating from August 2006, a publicly anchored FoF owned by four state development banks: NAFIN, BANCOMEXT, BANOBRAS, and FOCIR. The fund was designed to take a minority position, up to ~49% of a fund by rule, on average about US\$5m and capped near US\$30m.^{2,4,5} Positioning public capital as a catalyst rather than a substitute gave fund managers greater commercial control. Around the fund, organisations worked to build the demand and create the initial pathways. **Tec de Monterrey** (2001), opened the first university incubator, establishing a national network across its 26 campuses.⁷ In parallel, organisations like **Endeavor México** (2002) backed high-growth founders and connected them with early-stage capital,⁸ and **AMEXCAP** (the Mexican Association of Private Capital, 2003) gave investors a coordinated front and voice for reforms.³ Fondo de Fondos provided the initial pipes and pumps for risk capital, but many other organisations played crucial roles in this early groundwork as well.

By the end of this phase the Growth Firm risk-capital gap had been named, public capital had been committed to close it, and the first institutions were already at work.

2. Setting the conditions: reform to unlock domestic capital (2006–2012)

The government took coordinated steps to work with industry to unlock domestic capital and strengthen the infrastructure for risk capital to flow. In Mexico, the pension funds known as the **Administradoras de Fondos para el Retiro** (AFOREs), were one of the largest pools of domestic funding available, but regulations made them unable to put their money into this asset class. At the same time, venture capital funds were few and far between in Mexico, with around ten active funds in the whole country in 2009.²

Reforms like the **CKD instrument** (*Certificados de Capital de Desarrollo*, October 2009), gave AFOREs the ability to channel the pension funds through new mandates into private equity and venture capital, unlocking domestic capital for the first time.^{5,9,10} Alongside this, **SAPI and SAPIB vehicles** (under the *Ley del Mercado de Valores*, in force 2006) gave minority investors the protections and governance rights that venture deals required, creating greater confidence for investments into early-stage firms, as well as clearer paths towards public listings.¹¹ This gave organisations like **IGNIA** (2007), an early stage venture capital firm, the opportunity to prove this could work in practice. They established an early impact-oriented VC fund that demonstrated the model, raising a first fund of over US\$100m and then going on to raise further funds that other managers and investors followed.^{12,13} These efforts demonstrated the pipes and pumps were viable.

*The country's largest pool of savings was unlocked for the market.
For the first time, Mexico could draw from domestic sources of capital.*

3. Forging the channels: Growing the fund base (2012–2018)

A clear pathway for capital existed, but it was not yet able to scale. Mexico needed more mature fund managers to take up the available capital and deploy it. Recognising this gap, Fondo de Fondos deliberately undersized their stakes with first-time fund managers, so every fund still had to bring in co-investors.² This approach forced these fund managers to engage development finance institutions (DFI), bringing in foreign capital to enable the domestic market and rapidly driving up maturity. **IDB's Multilateral Investment Fund** anchored a series of first-time Mexican funds, increasing their credibility and support to reach a first close.¹⁴ Meanwhile other funders such as the **Development bank for Latin American and the Caribbean** (CAF) backed Fondo de Fondos' own vehicles directly.¹⁵

By bringing private capital in rather than replacing it, the VC fund base grew to around 80 managers by 2018.² **INADEM** (2013), the national entrepreneurship institute, coordinated entrepreneurship policy and co-financing as the fund continued to scale.¹⁶ Fund managers became the bridge between the new pools of domestic capital and the companies that needed it, illustrating that the infrastructure for risk capital was now well and truly established.

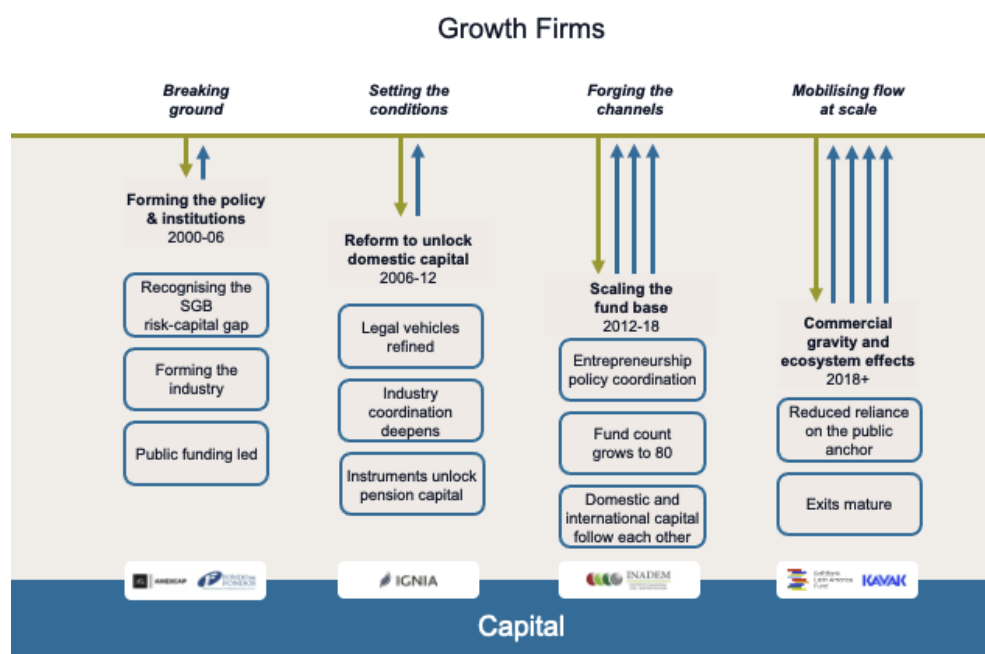
The market had established its plumbing, with a fund base deep enough to carry through the available public capital, but also bring in private investors alongside it.

4. Mobilising flow at scale: Commercial capital (2018+)

Mexico had successfully established the infrastructure to connect supply with demand. Now they had to ensure that the market could sustain itself without relying on Fondos de Fondos to reach commercialisation. The first signs began in 2019, when the **SoftBank Latin America Fund** entered the market with a large, purely commercial pool of US\$5bn in capital.¹⁷ Then in 2020, **Kavak**, a car sales, financing, and management platform, became Mexico's first unicorn, proving that the ecosystem could deliver world-class outcomes.¹⁸ Reliance on the public anchor began to fall as domestic and international investors followed each other into deals, and exits matured. The pipes and pumps had expanded with commercial capital, carrying it into Growth Firms.

But in 2022 the market was tested when the global venture cycle turned. Kavak took heavy down-rounds and closed markets, later raising at a quarter of its 2021 valuation, and SoftBank's regional fund marked down its portfolio.^{19,20} Investments recovered from 2023, but capital went into fewer and larger companies, with deal counts halved between 2022 and 2024.^{21,22} Mexican funds recorded 66 exits in 2024, almost all private sales, and although the stock market ended a long IPO drought in 2025, no startup has yet listed.^{23,24} In 2026, the state re-capitalised Fondo de Fondos, increasing support and capital flow to the market.^{6,25} Today, there are roughly 128 active funds who have drawn more than US\$71bn in committed capital across over 740 funds, and produced ten unicorns since Kavak in 2020, such as **Bitso**, **Clip**, **Clara**, **Stori**.^{16,26} Fondo de Fondos reports they have created more than 849,000 jobs,¹ and now aim to create an additional ~700,000 through the 2026 re-capitalisation.^{6,25}

The ecosystem has matured and the market has proven that it can sustain itself. Capital continues to flow through the pipes and pumps despite market and investor changes.



Key decisions

Leadership from the public sector

Mexico's development banks moved first to break ground in the region, identifying and naming the risk-capital gap and putting up their own balance sheets to close it. By deploying public money, they created pathways for other investors to follow while leadership from the public sector meant that policy and regulatory actors could work to unlock domestic capital.

Unlocking domestic capital first

Mexico freed domestic capital and established the plumbing that would enable this money to act as the foundations of the market. They actively worked with the pensions, industry, and reforming policies (the CKD instrument) to create a sustained local source of capital that wouldn't need to be subsidised by international funding.

Foreign capital as catalytic co-investors

While international donors played a role in developing the market, their funding alone did not make this journey possible. Much of Mexico's expansion was financed and designed for domestic funds, using state development-bank capital through Fondo de Fondos, which unlocked pension savings. Finally, DFIs, rather than being the primary funders, came in as early catalytic co-investors to help first-time funds reach a first close.

Establishing a fund base over individual deals

Deliberately channeling public capital through a FoF meant that it was possible to take small minority stakes in many first-time managers, rather than selectively choosing companies. Mexico focused efforts on establishing an industry rather than a single portfolio of investments.

Changing roles over time

As commercial capital began to enter and play a key funding role, the Government let their share fall so the market could stand on its own through other capital while still able to step back in when investments stalled, as it did in 2026.

Lessons for Market Creation

Replicable patterns and lessons

The journey Mexico underwent to develop its market is repeatable: coordinating efforts to identify the systemic gaps, and build the first institutions, reform the rules, and work with asset owners to unlock domestic capital. By scaling a fund base deep enough to deploy this capital, they eventually shrank the public sector's anchor role as private capital took over. The five-to-ten-year timeline Mexico achieved was rapid, heavily shaped by this strong institutional foundation. Other countries are likely to take longer but there are lessons from Mexico that can help them on their own journey.

Capital can be layered

Market creation follows a known pattern of public money first, then concessional money, then commercial money. Other countries also have similar narratives, such as Singapore's Technopreneurship Investment Fund, Chile's CORFO and Start-Up Chile, and Brazil's FINEP and the BNDES-anchored Criatec fund. Institution-led market creation is not an outlier, but neither is it automatic. What strengthened Mexico's effort was the intentional design of the fund to use public and concessional resources strategically to catalyse, rather than replace, funding pathways. This involved balancing stepping back when real and consistent signals of commercial readiness were coming from the market with a readiness to step back in when private capital was receding.

The plumbing can be general-purpose

Unlocking a domestic, long-standing capital pool is critical. It was difficult to build channels for pension funding and participation, but this step could not be skipped by Mexico. In general, every market will need to establish a different pathway for public capital to flow, for example pensions, insurance, sovereign wealth, or retail. However, once these pathways are built, the range of products they can support will widen. In Mexico the same architecture now carries Growth Firm lending, growth equity, and impact funds, not only tech venture capital.

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