ANNUALREPORT2012

MEXICAN FUND FOR THE CONSERVATION OF NATURE
PRIVATE INSTITUTION

ANNUALREPORT2012

996 projects supported in 28 states

24 protected areas
significantly increased their operating budget over the last decade

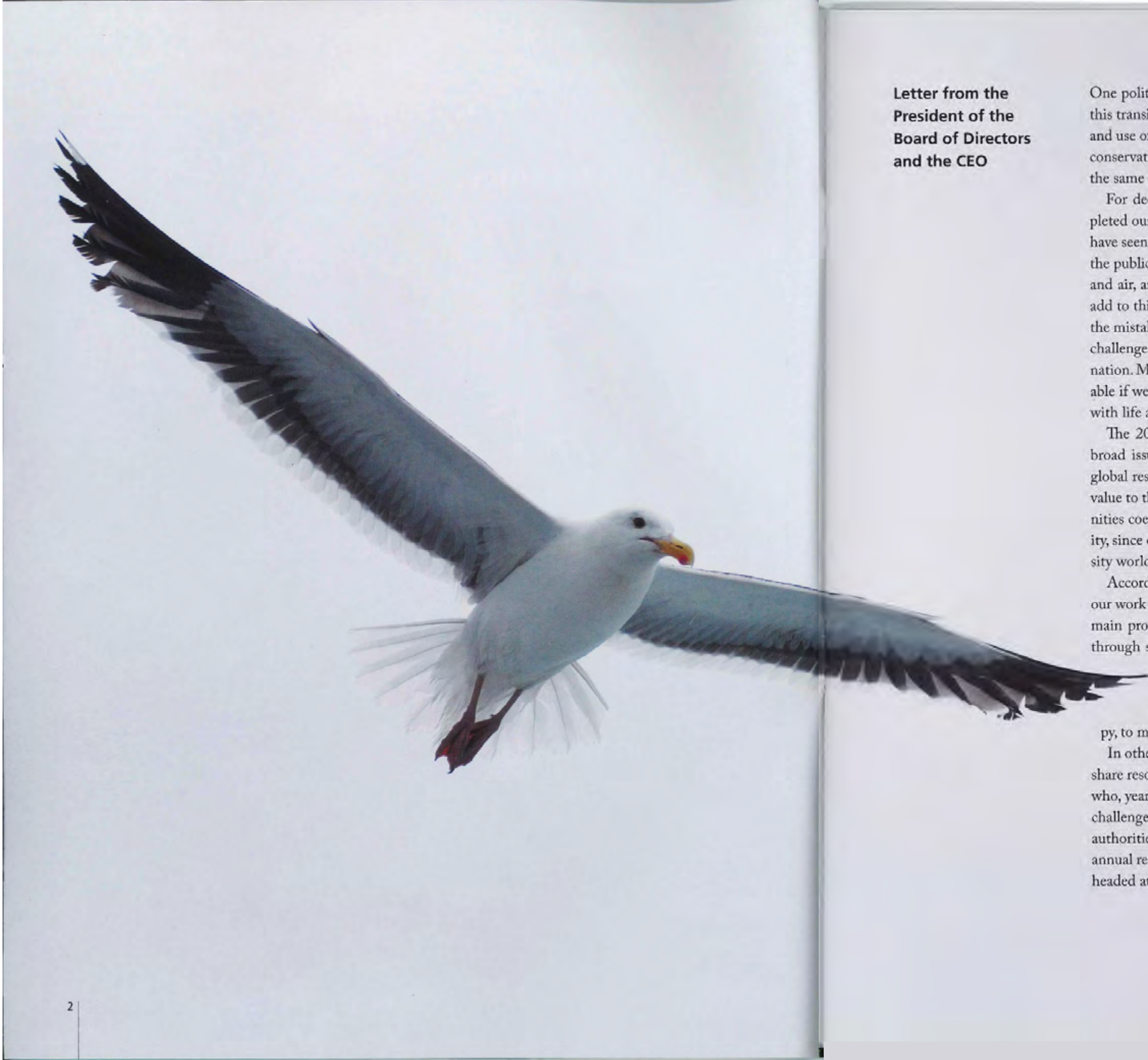
275 organizations supported
through our programs

753 million pesos channeled to the countryside

79 donors have entrusted us with their resources since 1995

1.49 billion pesos of institutional endowment

19 years of close collaboration with the
Mexican government



Letter from the President of the Board of Directors and the CEO

One political cycle comes to a close in 2012 and another begins, and with this transition come new opportunities and challenges for the conservation and use of our natural capital. It is an outstanding occasion to join together conservation and development in a way which is just, transparent, and, at the same time, profitable, both socially and economically.

For decades, centuries, we have ignored the obvious, and we have depleted our natural capital at a rate that far exceeds the social optimum. We have seen a generalized decline of common goods, and this decline impacts the public interest in critical areas such as health, the supply of clean water and air, and the loss of economic, cultural, and social opportunities. If we add to this distortions in primary markets and the service sector caused by the mistaken application of public policies and subsidies, we face enormous challenges with regards to the wise use of the resources and goods of this nation. Mexico is exceptionally rich and resilient, but also extremely vulnerable if we deplete the goods and services of the ecosystems that provide us with life and sustenance.

The 2013-2018 National Development Plan will be built around five broad issues: social security and peace, equity, education, prosperity, and global responsibility. As a civil society organization, it is our duty to bring value to these areas. We seek to contribute to the prosperity of the communities coexisting with natural resources and to Mexico's global responsibility, since our country is among the 10 countries with the greatest biodiversity worldwide.

Accordingly, during 2013, we will review our strategic plan to continue our work of almost 20 years building Mexico's future. We will reinforce our main programs with new crosscutting strategies, such as communication through social networks, capacity building, and research on better public policy tools and instruments. We will also test new conservation tools, such as collective impact, economic incentives for conservation, green investments, and confluence philanthropy, to mention a few examples.

In other words, we will continue to build on our successes and failures, to share resources and tools and bring them closer to the many valuable actors who, year after year, have joined us in working to solve the environmental challenges facing Mexico. With that spirit and that commitment, we invite authorities, partners, beneficiaries, and donors to carefully peruse this 2012 annual report, which shows in greater detail where we are and where we are headed at Mexico's national environmental fund.

Lorenzo J. de Rosenzweig P. Julio Gutiérrez Trujillo

BACKGROUND

Designed alongside the government and civil society in 1993, and founded in 1994, the Mexican Fund for the Conservation of Nature (Fondo Mexicano para la Conservación de la Naturaleza, A.C., FMCN) finances and strengthens actions and projects to conserve the natural heritage of Mexico. Although it was originally conceived to administer endowment resources and allocate the interest generated to projects carried out by civil society through prudent financial management, FMCN has also managed to raise a significant amount of direct application resources from national and foreign sources. In its almost 20 years of existence, FMCN has acquired solid experience in financing, administration, and supervision of conservation initiatives.

One of the strengths of FMCN is that, without exception, the allocation of resources to executing organizations is based on technical and strategic merit and projects that fit the country's conservation needs. Another of its strengths is its ability to design and set up public-private partnerships to make the best possible use of the confluence of resources, and to reorient and align the public budget with the country's main conservation priorities.

Among its public partners are the National Commission for the Knowledge and Use of Biodiversity (Conabio), the National Commission for Natural Protected Areas (Conanp), the National Forestry Commission (Conafor), the National Aquaculture and Fishery Commission (Conapesca), and the National Institute of Ecology and Climate Change (INECC).

FMCN's contribution to conservation in Mexico and Mesoamerica is carried out through four programs: Protected Areas Conservation, Forest and Basin Conservation, Ocean and Coastal Conservation, and Special and Innovative Projects.

Mission

To finance and strengthen conservation efforts and the sustainable use of Mexico's biodiversity

Vision

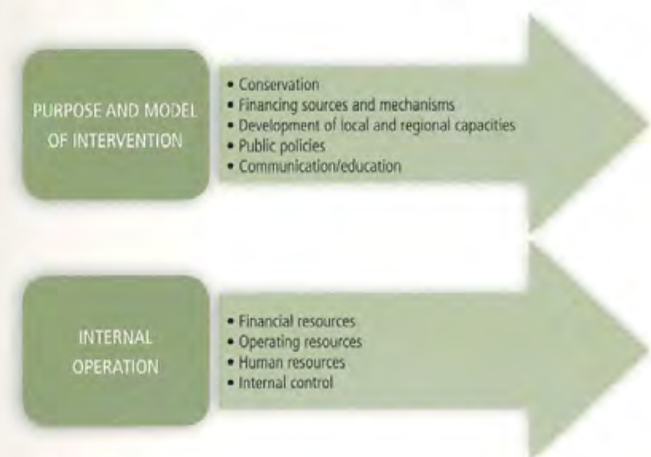
Mexico has reverted the deterioration of its ecosystems, and society values its biodiversity

STRATEGIC PLANNING 2013-2017

FMCN began drafting its fourth strategic plan (2013-2017) at the end of 2012, identifying ten key questions around which it carried out surveys and interviews among experts and public and private actors, both Mexican and international.

Based on this process and situational analysis, the institution will hold three workshops in early 2013 in order to formulate a document for review (PE 2013-2017) before May 31, which will be presented, as a draft, to the Board of Directors to be discussed in June, with a view to its approval at the meeting in September of that year.

In addition to consolidating the existing conservation programs and those in the design phase, the administrative units and work teams of the FMCN are exploring the possibility of broadening the environmental management of the institution in areas of innovative financial sources and mechanisms, developing and strengthening capacities, research and analysis of better practices in public environmental policy, and strategic communication and public relations for conservation. In terms of internal function, the financial, operational, control, and human resources processes will be strengthened.



The Protected Areas Conservation Program provides technical and financial support for 24 of the over 170 protected areas (PAs) managed by Conanp through the Fund for Protected Areas (Fondo para Áreas Naturales Protegidas, FANP). The program is a public-private scheme between FMCN and Conanp, recognized worldwide as the best practice in its category, and has served as a model for the creation of similar funds in at least four other countries.

After 15 years of operation, FANP has an endowment of almost 76 million dollars. 30 percent of the interest generated by the endowment goes to support Annual Operational Programs, and the remaining 70 percent to Innovative Strategic Projects. These resources are supplemented by the fiscal contributions of Conanp and other public and private sources.

From 2009 to date, through FANP, this program has funded 154 projects in 23 PAs executed by 39 different civil society organizations (CSOs). The projects contribute to consolidating the management of priority PAs. The CSOs are in charge of the presentation and execution of the projects; however, they are designed and implemented in close coordination with Conanp, in order to address at least one of the strategic lines of the corresponding Management Plan.

The strategic lines can be grouped as follows: monitoring, restoration, community surveillance, strategic communication and social participation, fire management, productive projects, land regulation, and tourism.

PROTECTED AREAS
CONSERVATION PROGRAM

The Lionfish: Catch It, Season It, and Eat It!

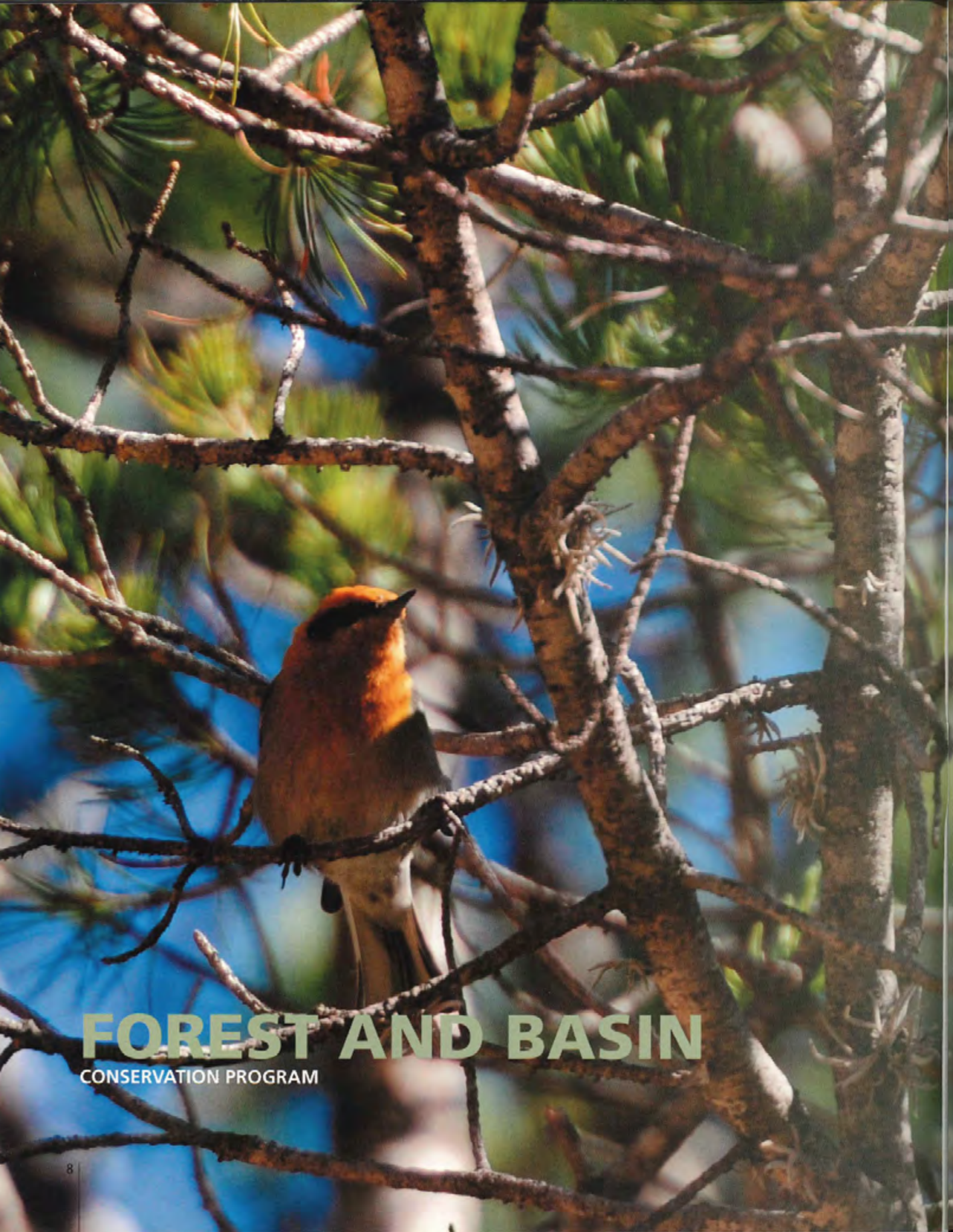
More than four years ago, the lionfish (*Pterois* spp.) arrived in the Caribbean waters of the Sian Ka'an Biosphere Reserve (RBSK). Native to Indo-Pacific reefs, this exotic species has been the object of collection and commercialization in private aquariums and pet stores of the Americas. It is believed to have been accidentally introduced into the Gulf of Mexico in 1992, when hurricane Andrew struck the Florida coast.

The lionfish has invaded Caribbean reefs. It has no natural predators and feeds on anything it finds in its path, including juvenile snappers, groupers, lobsters, and other commercially valuable species. Therefore, it represents a threat to the marine biodiversity of the Mesoamerican Caribbean and the RBSK, as well as to the economic activities of the cooperatives working in the region, especially the lobster fishery.

Concerned about this invasive presence, fishermen, partners and members of the fishery cooperatives of Cozumel, José María Azcorra and Vigía Chico —with help from FMCN, researchers, civil organizations, municipalities and the staff of the RBSK—decided to create population control methods within the framework of the "Program to Control the Lionfish *Pterois* spp. in the Sian Ka'an Biosphere Reserve."

The program includes capture and monitoring efforts, sport fishing tournaments, communication initiatives with fisherman and consumers, and establishing a plan for distribution and management to open a market for lionfish fillets in gourmet restaurants in Cancún and Mexico City.

Denisse Ángeles Solís and Lizbeth Tamayo
Sociedad Cooperativa de Producción Pesquera Cozumel, S.C. de R.L.



FOREST AND BASIN
CONSERVATION PROGRAM

FMCN contributes to the management and conservation of Mexico's forestry resources, especially in protection against fires and community participation in the conservation of the country's forests and jungles. This is done through three initiatives:

Protection against fires and fire management
This initiative to develop community groups' capacities to prevent forest fires and to manage fires in priority biodiversity areas. The mechanism has made it possible to channel more than 8 million dollars to over 100 initiatives. In addition, it operates resources for emergencies, such as forest fires, in coordination with the Fund for Protected Areas (FANP), and consolidates the capacities of the Fire Management Learning Community (Comunidad de Aprendizaje de Manejo del Fuego-www.camafu.org.mx), a unique initiative that will celebrate its first 10 years in operation in 2013.

Payment for environmental services and concurrent funds
In collaboration with Conafor, a concurrent fund (Monarch Fund) has been established based on the financial management of endowment resources (7.5 million dollars) whose interest is allocated to payment for environmental services to communities working on forest conservation in the nucleus zone of the Monarch Butterfly Biosphere Reserve. Participation in this public-private initiative includes the governments of the states of Michoacán and Mexico, Conanp, the Mexico Program of WWF, and the communities that own the forests in the monarch region. Recently, the agreement with Conafor was extended to 15 years, thus doubling the amount received by 34 common landowners, indigenous communities, and small landowners in the monarch region.

Technical cooperation on forestry matters
FMCN operates an international technical cooperation program on forestry matters with the United States Forest Service and Conafor. During 2012, capacities were developed in remote sensing of vegetation cover with LIDAR technology, as well as in protocols for monitoring, reporting, and verification, forestry inventories, and to strengthen Conanp in terms of fire management plans. With the support of the Center for Research and Advanced Studies (Centro de Investigaciones y Estudios Avanzados, Mérida, Yucatán), Griffith University (Australia) and Ecosur (southern Mexico), the technical basis for measuring carbon in mangrove forests was established. The FMCN participated in determining the carbon flow in forest areas (flux towers). In coordination with the Graduate School and Scientific Research Center of Yucatán, the policies, planning, and economics of forest fires and climate change, among other issues, were discussed.

FMCN has collaborated with the Forestry Protection and Conservation Committee of Conafor regarding national forestry issues, in addition to acting as the representative of civil society organizations on the National Forestry Council.

Preventing and Fighting Forest Fires in the Yucatán Peninsula: Regional Collaborative Experience

Pronatura of the Yucatán Peninsula has been collaborating for five years with the Program for Regional Attention to Forest Fires (PAR). This is an initiative intended to diminish the impact of forest fires through improved communication and coordination between federal and local agencies in the field, as well as rural producers and organized civil society.

One of the main achievements of the PAR has been the adoption of a flexible and multi-scaled approach, through actions ranging from local to regional, and spanning the main actors involved in environmental management, training, equipping, information management, and education. The actors in this initiative play different roles according to their capacities and characteristics, and construct an active response to disasters that can cause considerable harm to communities and the natural resources on which they depend.

The participation of government partners, organized civil society, and the local communities with their community brigades has been crucial in intersectorial coordination and communication.

The PAR still needs to include key sectors that use and manage fire in their productive activities. This collaborative scheme, the product of almost 15 years of experience and training of the communities and technical units, is a good example of the potential of conservation instruments that favor the construction of social fabric with a long-term vision.

Efraim Acosta Lugo
Pronatura Península de Yucatán, A.C.

BASINS AND CITIES

The Basins and Cities program seeks to consolidate and replicate innovative experiences that contribute to maintaining and recovering natural processes on which the availability of water for rural and urban inhabitants depends, and to see to it that these experiences are used and managed in a responsible and sustainable fashion. In addition, it seeks to build a vision of basin management that will help in the migration from sectorial management of natural resources toward a more integrated perspective under the basin approach.

Basins and Cities is a model for the incubation and acceleration of high impact projects that favor the protection and recovery of the basins that supply water to ten cities in the country. In each selected basin, FMCN has formed an alliance with a civil society organization as a local partner. These organizations assume leadership in improving management of their basin through planning, resource investment, and institutional collaboration. This collaboration has brought together the key actors in the cities, in the groundwater recharging zones and, in the most advanced cases, sectors representing the citizenry, in decision-making and basin management. The model created has proven effective in supporting actions of communication, coordination, and collaboration, which, taken together, facilitate fulfillment of the responsibilities of the governments —federal, state and municipal— in the medium and long terms.

Guardians of the Volcanoes

In 1998, with FMCN support, Guardians of the Volcanoes (Guardianes de los Volcanes, A.C.), began a natural resource management program that encouraged the local population of the southeastern region of the State of Mexico to adopt an initiative to convert the Sierra Nevada into a greenbelt, which would be productive and able to revert the unchecked advance of urbanization. During this process, with the help of maps and GPS systems, the members of the communities carried out a municipal mapping in which they identified water sources, pollution points, boundaries of urban areas, clandestine garbage dumps, reforested areas, and appropriate sites for ecotourism projects. The data collected was complemented with historical perspectives from communal landowners, local authorities, and members of innovative projects, who recognized the vital importance of the area for the Basin of Mexico.

Basins and Cities laid the foundation to begin recovery of the sub-basins of the Amecameca and La Compañía rivers and lake Tláhuac-Xico, together with the partners of the Sierra Nevada sustainability project. This initiative has made it possible to redirect the water management of the Basin of Mexico toward a sustainable model, based on optimal use of rainwater and treated residual waters from the sub-basins of the volcanoes Iztaccíhuatl and Popocatépetl. It has not been easy to cement progress, but this challenge today bears fruit in the region, and in other basins and zones of the country. This experience has made it possible to promote social learning, communication, and collective action.

Mariano Salazar Molina
and Ivonne Grethel Chávez Ortíz
Guardianes de los Volcanes, A.C.

OCEAN AND COASTAL

CONSERVATION PROGRAM

The Ocean and Coastal Conservation Program operates through the Gulf of California Fund (FGC) and the Mesoamerican Reef Fund (MAR Fund).

The Gulf of California Fund is a long-term financing mechanism intended to contribute to the health and interconnectivity of the marine and coastal ecosystems of the Gulf of California in order to provide ecosystem goods and services. A committee made up of experts in various sectors of society advises, accompanies and supervises its operations. The FGC operates on endowment and sinking fund resources. The yearly interest generated by the capital is applied to conservation projects in priority marine protected areas (MPAs), while the sinking funds are exercised each year on initiatives to conserve coastal environments in the region, mainly on projects with communities and artisanal fishing.

The sinking fund resources come from a financing mechanism linked to nature tourism. Thanks to the leadership of the National Geographic-Lindblad Expeditions (LEX) cruise ship company and the commitment of the David and Lucile Packard Foundation, FMCN triples the amount voluntarily donated by tourists.

The endowment resources of the FGC currently have a capital of close to 10 million dollars, which is the seed capital in an effort to capitalize on a regional scale in collaboration with The Nature Conservancy, in order to extend coverage to a total of 20 MPAs, with an endowment goal of 30 million dollars.

The Mesoamerican Reef Fund (www.marfund.org) is an alliance of the environmental funds of Mexico, Belize, Guatemala, and Honduras that serves as a private regional financial mechanism for the conservation and sustainable use of the resources of the Mesoamerican Reef ecoregion. During 2011 and 2012, with the support of KfW Entwicklungsbank and the French GEF, the MAR Fund obtained endowment resources of 11 million euros (10 million from KfW and 1 million from the French GEF) as part of an institutional goal of 30 million dollars. Likewise, during that same period, it mobilized 10 million dollars in direct application for the consolidation of 9 MPAs in the region, thanks to a generous donation by KfW. The FMCN is the Mexican partner in this alliance, responsible for channeling resources to the projects in Mexico (on the coast of Quintana Roo), and has presided over its Board of Directors from its foundation to date.

The San Cosme-Punta Coyote Corridor: The First Network of Fishery Replenishment Zones in Mexico

The San Cosme-Punta Coyote Corridor is located in the Gulf of California, between the southern limit of the Bahía de Loreto National Park and the northern border of the Bay of La Paz. Along a 150 km strip of coast there are thirteen rural communities isolated from one another and difficult to access due to their remote location and the lack of roads. The total population of the corridor comes to about 600 inhabitants, most of whom have been living in the area for over ten years. The main economic activity of all of the communities is coastal fishing, which is a very low-impact activity, as more than 90 percent of the fishermen use hooks.

However, the growth of fishing in adjacent sites, such as Loreto and La Paz, the use of the Corridor by fishermen from Sonora and Sinaloa, and the appearance of fishery practices using non-selective nets, are some of the challenges facing these communities for the preservation of their way of life and the marine resources on which they depend.

More than four years ago, the fishermen of the thirteen communities along the Corridor agreed on a common purpose to improve fishery management and, thus, be able to fish today as well as in the future. They recognized that if they did not take care of their resources, no one would do so for them; and they understood that they had the right and the ability to recover their shoals of fish.

With the support of Conapesca, Inapesca and organizations such as the Niparajá Society for Natural History (Sociedad de Historia Natural Niparajá A.C.), the fishermen of the thirteen communities analyzed the available tools in fishery legislation and chose to promote the creation of replenishment zones, supported by the Sustainable Fishery and Aquaculture Act of 2007. After a period of consultation, they decided to rest eleven sites over five years, to allow the ecosystem to recover.

In September 2010, the proponents sent a formal request to Conapesca to establish the refuge zones, signed by 109 fishermen; and in July 2012, they sent a second letter with 124 signatures. Finally, on November 16, 2012, eleven refuge zones were established in the Gulf of California, spanning an approximate surface of 1 400 ha. In addition, the fishermen acquired fishing permits, and currently 97 percent of them fish legally.

Replenishment zones are recognized worldwide as a useful tool to recover fishery resources and prevent overexploitation of species. This project represents a giant step forward in fishery conservation and management in Mexico.

Rocío Urapiti Rivera Campos
FMCN, A.C.

The promotion, design, and implementation of special projects has put innovative ideas for the conservation of our biological heritage into practice. Almost all of the current programs of the FMCN were, at some point, special projects. The projects we are currently supporting are: Sustainable Rural Life (Vida Rural Sustentable, VRS), the Mesoamerican Reef Leadership Program (MAR Leadership) and the Project to Recover Populations of the Golden Eagle (*Aquila chrysaetos canadensis*) and its Habitat in Mexico.

VRS seeks to promote the efficient use of fuel (wood) through the introduction of appropriate technologies that make it possible to improve health conditions and promote a stable family economy in the rural communities of Mexico, while decreasing deforestation and the emission of greenhouse gases.

The MAR Leadership Program is an initiative of the FMCN in association with the Summit Foundation to accelerate conservation efforts in the Mesoamerican Reef ecoregion. The program provides resources to people who are identified as leaders in the region with the capacity to develop bold and replicable projects aimed at reducing risk factors and threats to the reef.

The golden eagle project's main goal is to contribute to the recovery and conservation of the wild populations of the golden eagle and its habitat in five zones of the country it has historically inhabited, as well as to document and disseminate the population dynamics, distribution, and natural history of the species, and reduce human impact on its populations.

Mesoamerican Reef Leadership Program

I am privileged to be a member of the 2012 generation of the Mesoamerican Reef Leadership Program, which has helped me to reaffirm my commitment to conservation. The program has provided me with the necessary tools for effective promotion, taught me to organize projects and mobilize funding, strengthened my network of contacts, and made available to me technical and financial resources I never dreamed I would have. Thanks to MAR Leadership, I am studying for an online Master's degree in the design, promotion, and management of international cooperation projects.

My project seeks to establish fishery recovery zones together with local communities, using a scientific basis. To date, 60% of the target population of the project has already participated in the Pride Campaign supported by Rare and FUNDAECO to promote the King Fish refuge in Guatemala as one of these zones for fishery recovery.

ZAYDA CLEOPATRA MÉNDEZ
FUNDAECO

SPECIAL AND INNOVATIVE PROJECTS

Monarch Butterfly

In collaboration with SK Films, Sinsentido Films, FEMSA, Bimbo Group, the Department of Tourism, Conanp and the states of Mexico and Michoacán, FMCN acted as financial advisor and philanthropic partner in the 3-D IMAX movie *Flight of the Butterflies*, which was released in Washington, D.C. and Mexico City in September and October of 2012, respectively.

In terms of conservation, FMCN is the Mexican counterpart which, on behalf of the Mexican government and for the purposes of the film, represents the interests of conservation in the Monarch Butterfly Biosphere Reserve, and will channel the economic proceeds (profit sharing) to finance conservation projects in the monarch region. It will also use the film as a platform to mobilize additional resources from national and international audiences.

GOLDEN EAGLE

The Mexican golden eagle is an animal that has accompanied Mexico's history for centuries, both as the unmistakable symbol of a nation and soaring above the beautiful territory of our country. However, this species is currently near extinction, which is why it is necessary to join efforts and mobilize resources to protect it. The FMCN has designed, with the support of a group of national and international experts, the "Recovery of the Golden Eagle and its Habitat in Mexico Project" intended to contribute to the recovery and conservation of the wild populations of this species and its habitat in Mexico, and to document its natural history and population dynamics.

The resources mobilized will be devoted to financing activities such as monitoring the species and developing specific conservation actions in five priority geographical zones: Baja California, Janos (northern border between Sonora and Chihuahua), Maderas del Carmen (northern border between Chihuahua and Coahuila), Northeastern Central (Zacatecas, Coahuila, Nuevo León, and San Luis Potosí) and the Central Zone (Zacatecas, Aguascalientes, San Luis Potosí, Jalisco, and Guanajuato). At the same time, actions will be carried out to bring together actors from public and private agencies, and to raise awareness of the urgency of the issue to guarantee continuity of action and ensure progress in the long term.

In October of 2012, using an engraving by Oaxacan artist Francisco Toledo, the Swiss watch brand Breitling joined the FMCN project, presenting the Avenger Blacksteel Chrono "Mexican Golden Eagle" collection, a limited edition of 250 units. The watch company has donated a percentage of its sales to the FMCN, as well as the proceeds from an auction of the sketches artist Francisco Toledo donated to this important national cause.

Liliana Urbina Callejas
FMCN, A.C.

SUSTAINABLE RURAL LIFE

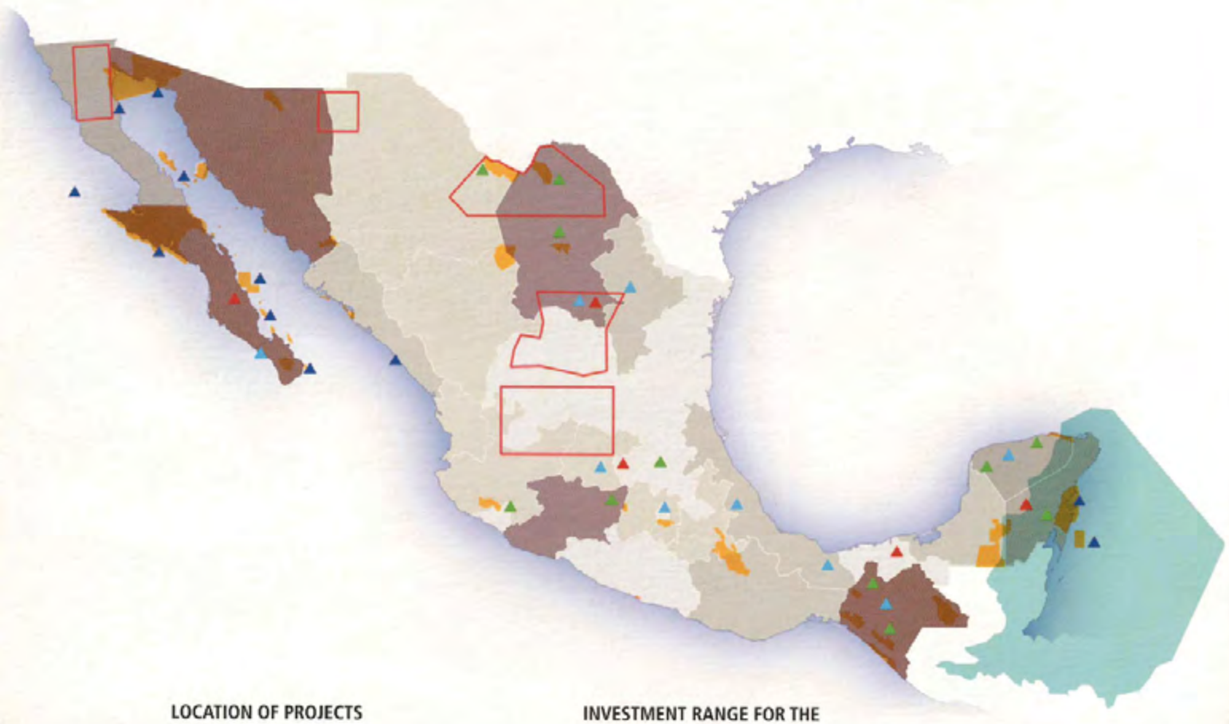
For over fourteen years, U'yo'olche, A.C. has been working with Maya communities on natural resource conservation, and to strengthen the values of the local culture.

Túumben K'óoben ("new kitchen" in Maya) is the name of the wood-saving stove built by communities with local materials, which has proved effective in reducing the consumption of wood and improving family economies and health conditions in the Maya zone. In spite of the advantages of this technology, many families do not have access to it due to their limited income and, in addition, the subsidy prevented users from taking ownership of the new ecotechnology. Therefore, an innovative structure was created that allows microcredits to be granted to families in order for them to acquire ecotechnologies. With the support of FMCN and the Canada Fund, we have created a cooperative with the mission of promoting the use of appropriate technologies, considering community participation, in order to integrate and strengthen the local and regional development of families, and make an environmental, economic, and social impact.

The vision of the Túumben K'óoben cooperative is to offer the greatest possible number of ecotechnologies in the home: water purification filters, solar pots, solar panels, and wood-saving stoves. The cooperative is seeking alliances with organizations that promote efficient ecotechnologies that are appropriate for the zone. During a second stage of this innovative project, Servicio Continental de Mensajería, S.A. de C.V. (SCM courier service), a Mexican company, will finance the certification of U'yo'olche, A.C., with the Microsol methodology to capitalize on the reduction of carbon emissions of over two thousand rural families in the voluntary international markets. Currently, Túumben K'óoben promotes microcredits in the states of Quintana Roo, Yucatán and Campeche, providing employment to community promoters and technicians.

Enrique Cisneros
FMCN, A.C.

LOCATION OF PROJECTS AND INVESTMENT BY STATE



LOCATION OF PROJECTS

- Forests
- Basins
- Oceans and Coasts
- Sustainable Rural Life
- Golden Eagle
- Mesoamerican Reef Fund
- Mesoamerican Reef Leadership Program
- Protected Areas

INVESTMENT RANGE FOR THE 2010 - 2012 PERIOD (millions of pesos)

- 12.5 - 23.2
- 10.3 - 12.4
- 5.8 - 10.2
- 2.3 - 5.7
- 0.9 - 2.3

FUNDS CHANNELED TO THE FIELD

ALLOCATION TO THE FIELD	2012 (pesos)	2011 (pesos)
Protected Areas Conservation Program		
Consolidation of the National System of Protected Areas	26,416,397	27,760,889
Priority Basins	2,119,229	698,114
Marine Reserves	1,781,364	1,355,074
Río San Pedro Conservation Initiative	1,194,007	236,092
MAR Fund	876,529	-
TOTAL PROTECTED AREAS CONSERVATION PROGRAM	32,387,526	30,050,169
Forest and Basin Conservation Program		
Monarch Butterfly Conservation Fund	3,918,233	4,365,795
Forests and Basins	11,560,596	9,854,143
TOTAL FOREST AND BASIN CONSERVATION PROGRAM	15,478,829	14,219,938
Ocean and Coastal Conservation Program		
TOTAL OCEAN AND COASTAL CONSERVATION PROGRAM	8,933,312	8,787,140
Special and Innovative Projects		
TOTAL SPECIAL AND INNOVATIVE PROJECTS	10,014,750	8,350,364
TOTAL CHANNELED TO THE FIELD BY PROGRAM		
Protected Areas Conservation Program	32,387,526	30,050,169
Forest and Basin Conservation Program	15,478,829	14,219,938
Ocean and Coastal Conservation Program	8,933,312	8,787,140
Special and Innovative Projects	10,014,750	8,350,364
Total FMCN	**66,814,417**	**61,407,611**

FINANCIAL REPORT

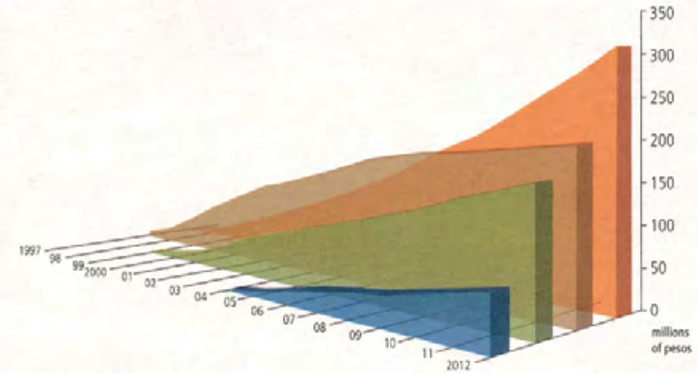
HISTORICAL ALLOCATION BY PROGRAM (figures in millions of pesos)

		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
1. Protected Areas Conservation Program	Conservation of Priority Areas	-	6.67	13.08	15.90	12.38	15.05	14.73	14.88	15.45	18.96	20.34	16.39	24.34	23.43	27.20	31.80	**270.60**
	San Pedro Initiative	-	-	-	-	0.38	0.55	0.41	-	-	0.85	0.86	0.63	0.85	0.09	0.24	-	**4.84**
	Marine Reserves	-	-	-	2.26	1.34	0.20	1.50	2.42	1.30	1.60	1.51	1.07	1.71	2.48	1.34	-	**18.72**
	Priority Basins	-	-	-	-	-	0.40	1.18	1.27	2.00	2.11	2.29	1.73	1.21	3.11	0.70	-	**16.01**
2. Forest and Basin Conservation Program	PPIRA	-	-	-	5.83	8.85	11.77	11.64	6.15	-	-	-	-	-	-	-	-	**44.24**
	PROMAFUR	-	-	-	-	-	-	-	-	2.19	1.37	3.94	3.82	3.14	9.04	9.72	3.70	**36.91**
	Basins and Cities I and II	-	-	-	-	-	-	0.91	0.46	1.17	1.51	2.12	1.37	0.51	-	-	7.76	**15.80**
	Basins Environmental Initiative	-	-	-	-	-	-	-	1.73	5.17	5.86	2.21	4.35	1.87	-	-	-	**21.18**
	Monarch Fund	-	-	-	0.07	0.60	4.47	4.64	4.93	4.08	4.07	3.22	2.83	8.81	7.38	4.30	3.92	**53.29**
3. Ocean and Coastal Conservation Program	Gulf of California Fund	-	-	-	-	-	-	-	0.29	4.46	10.04	9.05	6.77	5.78	10.40	8.61	6.07	**61.46**
	MAR Fund	-	-	-	-	-	-	-	0.55	0.92	-	0.11	-	-	-	-	0.55	**2.13**
	Monte Mojino	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.07	**1.07**
	Vaquita	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.12	**1.12**
4. Special and Innovative Projects	Sustainable Rural Life	-	-	-	-	-	-	-	0.50	1.16	2.06	3.18	2.07	0.91	0.70	1.22	2.60	**14.40**
	MAR Leadership Program	-	-	-	-	-	-	-	-	-	-	-	-	1.31	3.73	6.05	5.60	**16.69**
	Golden Eagle Project	-	-	-	-	-	-	-	-	-	-	-	-	0.45	2.34	0.31	0.15	**3.25**
Other Initiatives Supported	Strategic Support Program	8.62	12.04	17.82	23.61	15.68	14.10	6.36	8.06	6.16	2.58	1.90	4.96	2.00	0.09	0.10	1.19	**125.28**
	IMAC	-	-	-	-	1.24	4.58	5.37	5.34	4.64	3.31	2.62	0.03	-	-	-	-	**27.12**
	RedLAC	-	-	-	1.13	2.16	1.56	1.61	-	-	-	-	-	-	-	-	-	**6.46**
	New Ventures y BOP	-	-	-	-	-	-	-	1.18	2.30	5.44	1.77	-	0.41	-	-	-	**11.10**
	FCEA	-	-	-	-	-	-	1.22	-	-	-	-	-	-	-	-	-	**1.22**
TOTAL PER YEAR		8.62	18.71	30.91	48.80	42.62	52.68	49.56	47.75	50.98	59.75	55.12	46.02	53.29	62.78	59.77	65.53	**752.88**

CAPITALIZATION

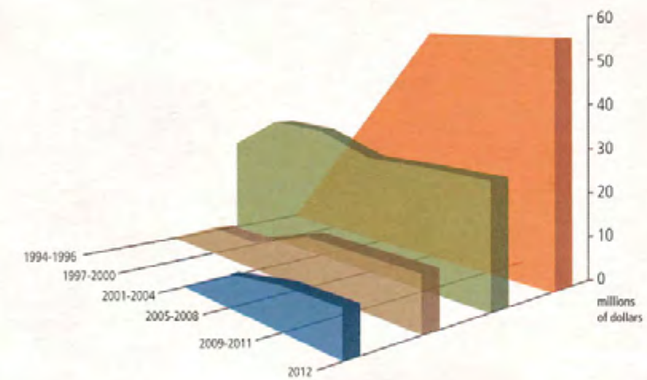
The following table presents a summary of the capitalization of the FMCN. The figures presented are in millions of dollars at the exchange rate of the date the endowment resource was received

Donante	Phase I	Phase II	2011 - 2012	By donor
Global Environment Facility (GEF/FMAM)	16.48	22.46	-	**38.94**
Mexican Federal Government	14.01	6.00	-	**20.00**
United States Agency for International Development (USAID)	19.50	-	-	**19.50**
The David and Lucile Packard Foundation	5.00	8.75	-	**13.75**
Global Conservation Fund / Conservation International	-	3.13	-	**3.13**
Fundación Gonzalo Río Arronte, I.A.P.	-	3.00	-	**3.00**
The Summit Foundation	0.20	1.55	-	**1.75**
Government of the State of Mexico	-	0.90	0.21	**1.10**
Government of the State of Michoacán	-	0.25	-	**0.25**
Others	0.50	1.62	0.51	**2.62**
ANNUAL CAPITALIZATION	55.69	47.64	0.71	**104.04**



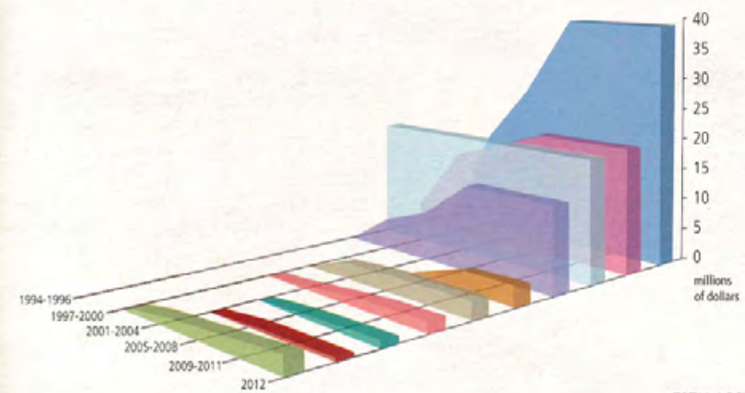
HISTORICAL ALLOCATION TO THE FIELD
accumulated by program

- Protected Areas Conservation Program
- Special and Innovative Projects
- Forest and Basin Conservation Program
- Ocean and Coastal Conservation Program



ACCUMULATED CAPITALIZATION
by program

- Protected Areas Conservation Program
- Forest and Basin Conservation Program
- Other Initiatives
- Ocean and Coastal Conservation Program



ACCUMULATED CAPITALIZATION
by donor

- Global Environment Facility (GEF/FMAM)
- Federal Government of Mexico
- United States Agency for International Development (USAID)
- The David and Lucile Packard Foundation
- Global Conservation Fund / Conservation International
- Fundación Gonzalo Río Arronte, I.A.P.
- The Summit Charitable Foundation
- Government of the State of Mexico
- Government of the State of Michoacán
- Others

TOTAL ACCUMULATED THROUGH 2012: **104.04 MILLION DOLLARS**

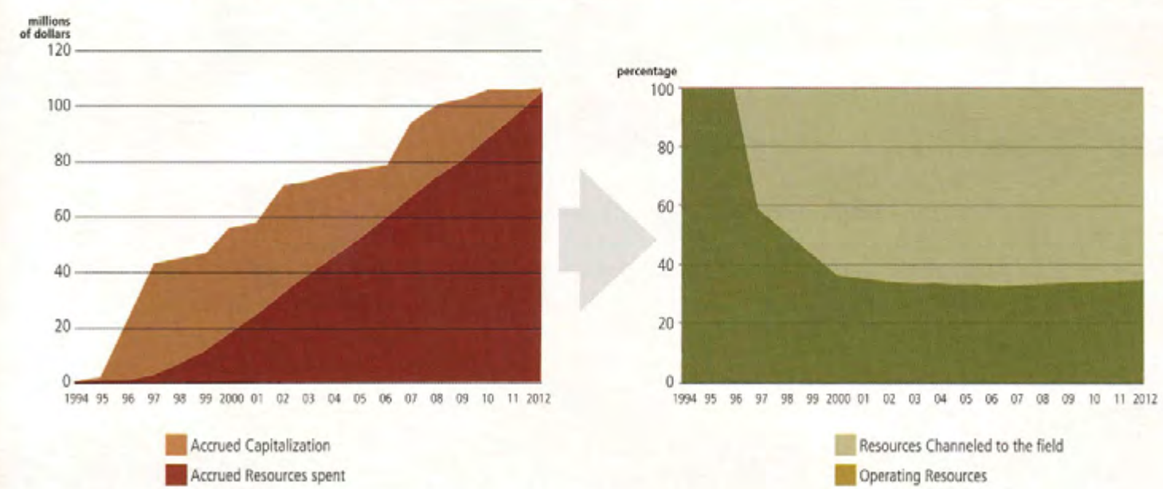
PORTFOLIO PERFORMANCE (figures in millions of dollars)

	December 31, 2012	December 31, 2011
Value Contributed	104.04	103.33
Market Value	119.8	105.53
Returns (annual)	14.29%	1.63%
Returns (accrued 1997-2012)	7.86%	7.85%

ACCUMULATED RESOURCES MANAGED (figures in millions of dollars)

	December 31, 2012	December 31, 2011
Total Resources spent Since Operations Began	104.8 (36.2 op&ad and 68.7 proy/ 34/66%)	96.3 (32.8 op&ad and 63.5 proy/ 34/66%)
Interest spent Since Operations Began	78.3 (29.8 op&ad and 48.2 proy/ 38/62%)	72.8 (28.03 op&ad and 44.8 proy/ 38/62%)
Operating Resources spent Since Operations Began	26.6 (6.1 op&ad and 20.5 proy/ 23/77%)	23.5 (4.8 op&ad and 18.7 proy/ 19/81%)

COMPARISON OF CAPITALIZATION and accrued resources invested since operations began



FINANCIAL STATEMENTS

INCOME

As a result of various factors —including the monetary stimulus in Europe, improvement in corporate performance in North America, the economic stabilization of emerging markets and political stability in the Middle East— the financial markets showed an economic recovery during the third quarter of 2012. Therefore, FMCN received significant earnings derived from the tendency of financial instruments, and its income from performance increased significantly. However, the above-mentioned economic recovery also involved a contraction in interest rates, which, together with the maturity of instruments, represented a decrease of 15% with respect to 2011 in the interest generated by financial instruments: from 72.9 in 2011, to 61.8 million pesos in 2012. The donations received remained within expected levels, although they represented a decrease with regard to the previous year.

EXPENSES

During 2012, 86% of every peso exercised was allocated directly to the programs and projects approved by FMCN. The indirect and administrative costs represented 13% of the total expenditure and the procurement costs 1%. During this year, FMCN invested 110.4 million pesos in support of conservation programs and projects; of the resources exercised, 61% went to direct support of our partners in the field in the form of donations and payment for services, and 23% went to cover operating salaries.

The conservation programs for Protected Areas, Forests and Basins, and Oceans and Coasts financed initiatives for 39.9, 24.9, and 13 million pesos, respectively.

As for Special Projects, considering that some of these were incubated in the FMCN and others are inter-program projects to improve knowledge exchange, activities totaling 16.7 million pesos were financed.

ENDOWMENT

FMCN has consolidated a financial endowment of 104 million dollars, the largest in Latin America and the Caribbean for a national environmental fund. During 2012, FMCN laid the foundation for its third stage of capitalization, which involves two important projects: the Marine Conservation Initiative for the Gulf of California (Iniciativa Marina de Conservación del Golfo de California, BMI) and Conservation of Coastal Basins in the Context of Climate Change (Conservación de Cuencas Costeras en el Contexto de Cambio Climático, C6).

STATUS OF FINANCIAL POSITION THROUGH DECEMBER 31 OF 2012 AND 2011

(figures expressed in pesos)

	2012	2011
ASSETS		
In Circulation		
Cash and Cash Equivalents	5,665,758	5,071,863
Accounts Receivable:		
Advances for Conservation Projects Granted by Mandate	3,187,723	1,572,050
Miscellaneous Debtors	491,256	670,743
Taxes to be Refunded	43,774	43,774
Total Assets in Circulation	**9,388,511**	**7,358,430**
Investments in Stock	1,635,745,134	1,604,907,421
Real Estate, Furnishings and Net Equipment	2,151,030	2,104,420
Deferred Assets	103,319	100,913
Total Assets	**1,647,387,994**	**1,614,471,184**
LIABILITIES		
Short Term		
Miscellaneous Creditors	1,109,416	264,327
Taxes Due	1,131,743	855,18
Resources Committed by Mandate	450,639	1,694,444
Total Short Term Liabilities	**2,691,798**	**2,813,952**
Long Term		
Employee Benefits	2,571,004	1,933,109
Total Liabilities	**5,262,802**	**4,747,061**
ENDOWMENT		
Permanently Restricted Endowment	1,491,108,017	1,481,855,992
Unrestricted Endowment:		
Cumulative Results	127,868,130	(20,109,319)
Annual Surplus	23,149,045	147,977,450
	151,017,175	127,868,131
Total Endowment	**1,642,125,192**	**1,609,724,123**
Total Liabilities and Endowment	**1,647,387,994**	**1,614,471,184**

STATUS OF ACTIVITIES FOR THE YEARS ENDING DECEMBER 31 2012 AND 2011

(figures expressed in pesos)

	2012	2011
CHANGES IN UNRESTRICTED ENDOWMENT		
Unrestricted Revenue:		
Returns from Stock Investments, Net	170,100,171	60,843,674
Donations Received	37,783,432	47,347,058
Other Income	1,368,401	982,186
TTotal Unrestricted Revenue	**209,252,004**	**109,172,918**
Unrestricted Expenditures:		
Direct, Operating and Administrative Expenses Assignable to:		
Protected Areas Conservation Program	39,892,999	37,504,199
Forest and Basin Conservation Program	24,876,616	20,329,431
Ocean and Coastal Conservation Program	13,194,154	13,163,768
Inter-program, Special and Innovative Projects	16,657,080	11,436,523
Procurement Costs	1,387,406	709,137
Indirect Costs	14,408,181	13,590,451
Real Estate, Furniture, and Equipment Depreciation	299,941	307,628
Total Direct, Operating, and Administrative Expenses	**110,716,377**	**97,041,137**
Integral Result of Unrestricted Financing:		
Bank Commissions	(357,695)	(255,992)
(Loss) Exchange Rate, Net	(73,897,201)	136,279,427
	(74,254,896)	**136,023,435**
Other Expenses and Expenditures	1,131,686	177,766
Result of Activities at the End of the Year	**23,149,045**	**147,977,450**

WE THANK OUR DONORS FOR THEIR SUPPORT

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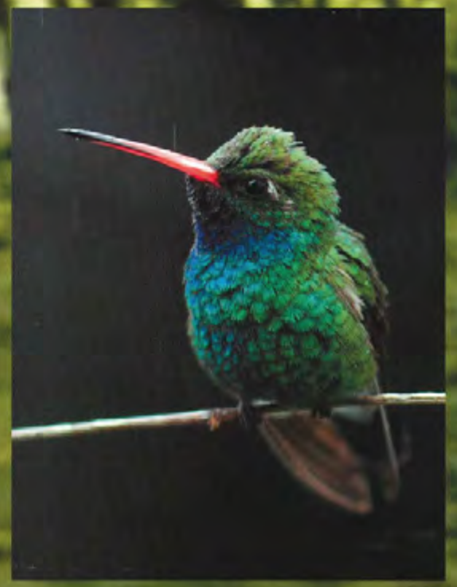

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