2016

ANNUAL REPORT

FMCN

FONDO MEXICANO
PARA LA CONSERVACIÓN
DE LA NATURALEZA, A.C.

INSTITUCIÓN PRIVADA

With our heads held high and satisfied in our resolve, we invite the reader to look through our annual report at some of the conservation efforts that civil society is making in Mexico to protect the natural heritage we hope to leave to future generations of Mexicans.

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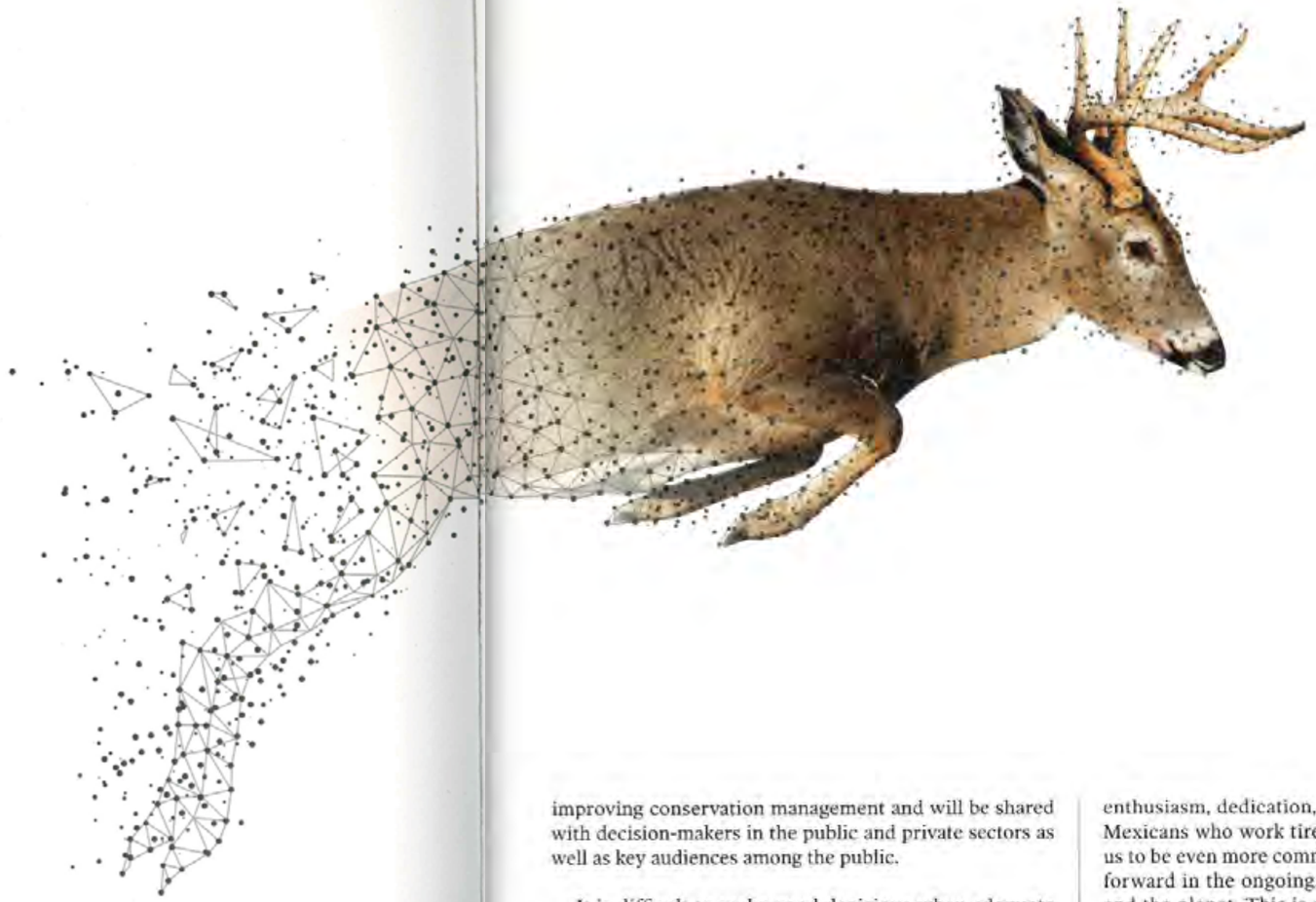
Ralph Lee Hopkins



LETTER FROM THE PRESIDENT OF THE BOARD OF DIRECTORS AND THE EXECUTIVE DIRECTOR

In 2016, the international community was taken aback by the turn many countries have made toward radical political positions appealing to intolerance and isolation and at the same time promoting mistrust of scientific knowledge and unscrupulous exploitation of global natural resources.

This is happening at a very delicate time, when the impact on the planet's ecological equilibrium is showing clear signs of approaching a point of no return. According to data from the National Aeronautics and Space Administration (NASA), 2016 was the hottest year on record, just as 2015 and 2014 had been before it. According to the World Wildlife Fund's biennial *Living Planet Report 2016*, as a civilization, we have added new species to the already long list of those that are endangered, and we have also significantly increased the number of people affected by the degradation of ecosystems and the contamination of the air, water, and soil.

Despite everything, this bleak panorama is still reversible. This crisis offers us an opportunity, because more and more people are discovering, thanks to the efforts of science and the media, that conservation of the environment is not a romantic, idealistic, or merely desirable question, but a vital issue that will to a great extent define the future of humanity's quality of life. Therefore, conservation can no longer be left on the back burner of public discussion or omitted from any government's plans and declarations.

The strategic objective of the Mexican Fund for the Conservation of Nature (FMCN) is to openly and effectively have an impact on conservation in Mexico. In 2016, as part of our efforts, together with 12 other Mexican organizations, we called on more than 30 independent experts to analyze and evaluate the main policies for conservation and the use of biodiversity in the last two decades. The resulting document, *Biodiversity Conservation in Mexico: Achievements and Challenges from the Perspective of Civil Society (1995–2017)*, offers 67 specific recommendations for improving conservation management and will be shared with decision-makers in the public and private sectors as well as key audiences among the public.

It is difficult to make good decisions when adequate information is unavailable. Therefore, one of the most important advances in 2016 has been the launch of the National System of Biodiversity Monitoring (SNMB), the result of FMCN's collaboration with the National Commission for the Knowledge and Use of Biodiversity (CONABIO), the National Forestry Commission (CONAFOR), and the National Commission for National Protected Areas (CONANP). The SNMB is a systematic collection of data on biodiversity and the ecological integrity of the ecosystems that will allow us to more effectively focus conservation actions nationwide.

In 2016, we also continued the efforts to fulfill strategic objectives through the institution's four main programs, whose perspective is to support leaders and organizations so they can effectively carry out ongoing actions to conserve our natural capital. We concluded different processes of resource capitalization and mobilization, strengthening our role as a Mexican organization specializing in conservation finance. Twenty-two years after the formal launch of FMCN, we want to recognize the enthusiasm, dedication, and honesty of the many, many Mexicans who work tirelessly at our side; this obligates us to be even more committed to the mission we have put forward in the ongoing, long-term struggle for Mexico and the planet. This is a cause within everyone's reach, no matter how small their contribution and influence.

With our heads held high and satisfied in our resolve, we invite the reader to look through our annual report at some of the conservation efforts that civil society is making in Mexico to protect the natural heritage we hope to leave to future generations of Mexicans. We trust that they will also learn to care for the wealth of this generous, biodiverse country.

ALBERTO SAAVEDRA OLAVARRIETA
President of the Board of Directors

LORENZO J. DE ROSENZWEIG PASQUEL
Executive Director

Our Principles

MISSION

To build a better future for Mexico through the mobilization of financial resources, the creation of alliances, the constant pursuit of knowledge, and by capitalizing on opportunities focused on conservation and the responsible use of our natural capital.

VISION

Mexico has reversed trends in the deterioration of its ecosystems, and society values the biodiversity that its well-being depends on. FMCN is an innovative, financially consolidated world leader with a transparent system of governance. Its leadership, staff, and partners are deeply committed to its conservation programs and meet the national and global priorities of institutional permanence and civil society participation.

VALUES

INTEGRITY
Applies the highest standards of honesty and transparency.

COOPERATION
Combines efforts with others to meet inspiring and ambitious common goals.

CREATIVITY
Brings innovation and adaptability to bear on our conservation endeavor.

COMMITMENT
Bases a passion for the conservation of nature on experience and the best knowledge available.

PERMANENCE
Implies the continuity and long-term vision of our institution.

2013-2017 Strategic Plan

The 2013-2017 Strategic Plan defines the long-term lines of action that drive FMCN programs, projects, and activities. The plan will continue to guide FMCN in the coming years and aims to ensure operational certainty for those who benefit from FMCN's work.

CONSERVATION
Support the integrity of ecosystems and ecological processes.

FINANCING SOURCES AND MECHANISMS
Consolidate FMCN as the most effective, impact-driven, private conservation finance institution in Mexico.

LOCAL AND REGIONAL CAPACITY DEVELOPMENT
Strengthen the competitiveness and institutional capabilities and the professional competence of individuals as agents for changing the trends of environmental degradation.

HUMAN RESOURCES
Foster in FMCN, at all levels of the organization, a results-oriented work culture.

PUBLIC POLICIES
Openly contribute to an effective legal framework for conservation in Mexico.

INTERNAL MONITORING
Guarantee FMCN's permanence and integrity in the face of internal and external risks and contingencies.

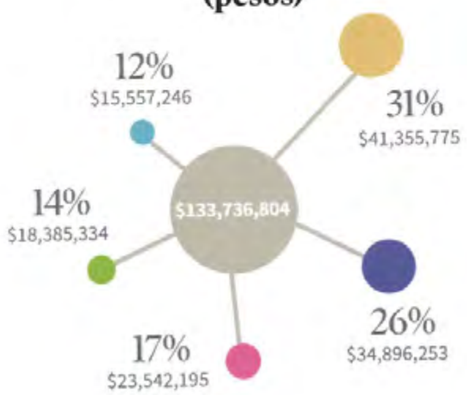
COMMUNICATIONS AND PUBLIC RELATIONS
Ensure that the people, institutions, and groups that influence the conservation of natural landscapes have the best information available to make relevant and appropriate decisions.

OPERATIONAL RESOURCES
Consolidate FMCN operations efficiently and effectively.

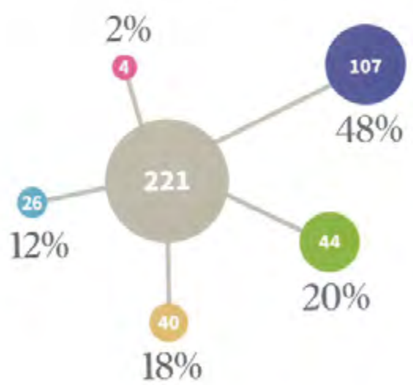
FINANCIAL RESOURCES
Secure FMCN's financial sustainability and health and share financial information in a transparent, trustworthy way.

Projects Funded in 2016

Investment per Program (pesos)



Number of Projects Funded by Program

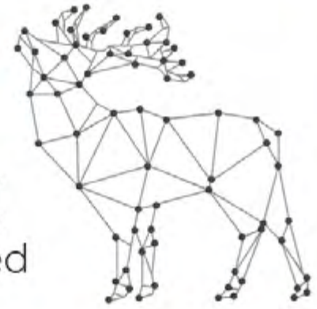


Natural Protected Areas Supported by FMCN

23 YEARS OF FMCN

51 protected areas supported by FMCN

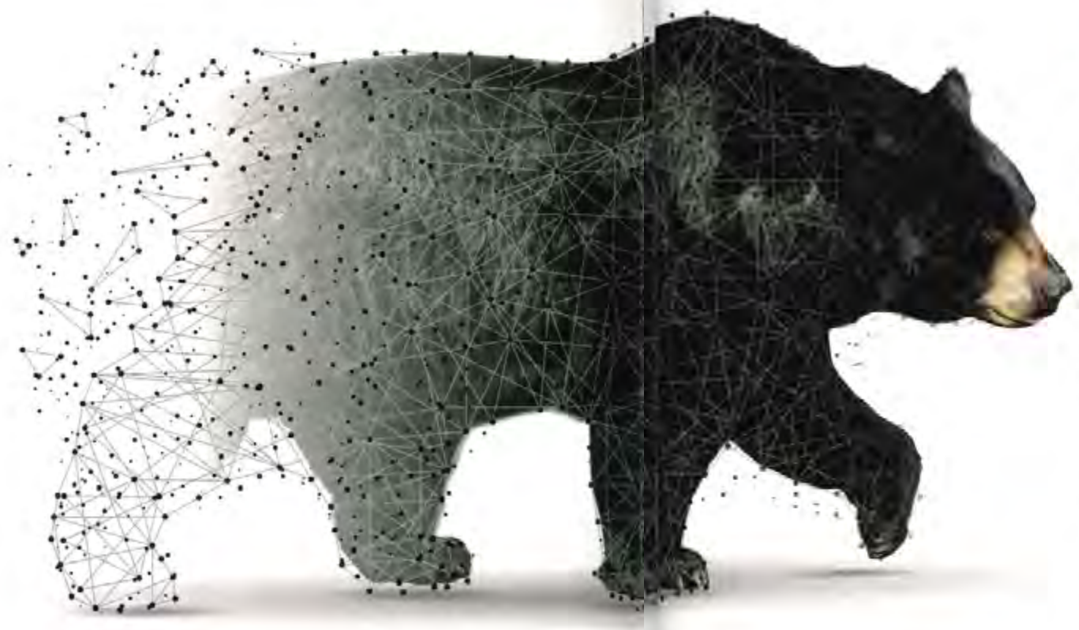
65 priority species supported



1,723 PROJECTS FUNDED

146.6 million dollars
INVESTED IN CONSERVATION ACTIVITIES

Financing Sources and Mechanisms



2020 CAPITAL CAMPAIGN

The 2020 Capital Campaign made important progress in 2016 building on the efforts of preceding years. In 2016, FMCN negotiated with the German development bank KfW for an additional endowment of 5.3 million dollars for the *Sierra y Mar* Project in partnership with CONANP. This releases matching funds from the Global Environment Facility (GEF) for the Conservation of Coastal Watersheds in the Context of Climate Change (C6) Project.

Miguel Ángel de la Cueva

INNOVATIVE FINANCIAL MECHANISMS

FMCN is moving ahead with the design of innovative financial mechanisms for conserving Mexico's natural capital, using the impact-investment model to create social and environmental benefits and financial profitability. To this end, FMCN, as a member of Confluence Philanthropy, is learning to design its own impact-investment program over the next three years.

In addition, the FMCN Investment Committee has initiated the transition of its investment portfolio – worth close to 110 million dollars - toward one aligned with its institutional mission in terms of social, environmental, and governance sustainability in market segments such as water, renewable energy, forestry and regenerative ranching.

PARTICIPATION OF THE CORPORATE SECTOR IN CONSERVATION

FMCN and cosmetics brand Kiehl's came together with singer Ximena Sariñana in 2016 to protect the mangroves of Quintana Roo. In addition, in July, 7-Eleven México launched a national "rounding-up" donations campaign among customers to mobilize resources to address climate change. For their part, American Eagle Outfitters, HSBC, Fomento Ecológico Banamex, Hoteles City, and the Televisa Foundation contributed funding to the project Restoring Golden Eagle Populations and Their Habitat in Mexico.

FMCN was also invited this year to be part of the Mexican Alliance for Biodiversity and Business (AMEBIN), whose aim is to promote within the private sector the protection, conservation, and restoration of biodiversity and ecosystems. AMEBIN will seek to establish a constructive dialogue among conservation organizations, cooperation agencies, institutions, and corporations to develop investment mechanisms and projects to protect natural resources and ecosystems, not only as an altruistic activity, but as an integral part of companies' business strategies. Today, AMEBIN has 30 members including companies, civil society organizations, and development agencies, among others.

FMCN has raised awareness in the private sector about the close relationship between its activities and conservation and the use of biodiversity. As part of this effort, it co-organized with the State of Veracruz Association of Industrialists (AIEVAC) the Forum on International Standards of Sustainability for Industry in the city of Boca del Río, Veracruz. More than 30 companies interested in improving their environmental performance familiarized themselves thoroughly with the World Bank International Finance Corporation's environmental standards, which gave rise to the Equator Principles. Experienced consultants and experts from the Smithsonian Institution advised members of the private sector in this learning space facilitated by FMCN.

The AIEVAC and FMCN plan to repeat this event in 2017 based on the interest it spurred in the private sector this year. This opens up the way for investments from industry to go beyond not polluting, but aiming for improving biodiversity in their areas of impact.

> The private sector is committed to the recovery of golden eagle populations in Mexico.

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FMCN-CONANP ALLIANCE

FMCN and CONANP formally announced their alliance at the 13th Conference of the Parties to the Convention on Biological Diversity (COP13), held in December 2016. This very important public-private initiative will allow FMCN to bring together institutional efforts to reduce and finally eliminate the financial gap in the National System for Natural Protected Areas by the year 2027, provided certain conditions of compliance are met and the federal government demonstrates sufficient political will. A combination of funding sources will be mobilized to do this. FMCN in alliance with other financial actors will also help incubate and accelerate environmentally and socially responsible companies whose profits will in part contribute to this initiative.

CONNECTING COMMUNITIES OF MEXICO AND BRAZIL

FMCN and the Brazilian Biodiversity Fund (FUNBIO) presented a joint proposal for the MacArthur Foundation 100&Change competition, which awards 100 million dollars in funding to an idea that permanently, demonstrably, and feasibly solves an important global problem. FMCN's proposal, called Last Chance, consisted of using people's inherent ability to interconnect to create a knowledge-sharing digital network for the most sustainable use of biodiversity in Lacandón Jungle and Amazonia communities, which have two of the world's most biodiverse tropical forests. Since Mexico and Brazil are the two countries in Latin America with the greatest penetration of smartphones, the proposal was to develop platforms with the communities that would allow them to access information and expert advice to find ways to use the forests sustainably to improve their well-being.

Regardless of the competition results —the joint proposal did pass on to the second phase—, the exchange of ideas and conservation practices has been very valuable and has strengthened ties with FUNBIO.

The MAR Fund celebrated its twelfth year in 2016, affirming its leadership as the best of the Latin American regional environmental funds.

THE MESOAMERICAN REEF FUND

The Mesoamerican Reef Fund (MAR Fund) celebrated its twelfth year in 2016, affirming its leadership as the best of the Latin American regional environmental funds. FMCN is proud to be one of the founding funds and is thankful for the privilege of facilitating its advancement from the presidency of the Board of Directors, a post it has held since MAR Fund was incorporated and began operations in 2005.

Despite certain challenges in the decision-making process due to now obsolete provisions in the original by-laws, MAR Fund has succeeded in mobilizing important resources: very nearly 34 million dollars. In addition, it has procured 10 million euros and 2 million dollars in direct-application resources and forged a widely-recognized institutional presence and trajectory among the donor community and the operating partners in the four countries: Mexico, Guatemala, Belize, and Honduras.

Under the leadership of its executive director and her team, the MAR Fund's Executive Committee has held three meetings with the Board of Directors, with pro bono legal support from the Shearman and Sterling law offices. Out of these meetings came a series of recommendations to amend the by-laws and increase the number of board members with the talent needed to reach the capital campaign goal of 50 million dollars. A review and update of the by-laws are planned for 2017 in order to enhance the pluralism of the board and its ability to significantly increase the financial and technical support for conservation activities in the world's second largest barrier reef.

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Conservation

AN X-RAY OF OUR ECOSYSTEMS

After five years of successful inter-institutional collaboration, CONABIO, CONAFOR, CONANP, and FMCN launched the National System of Biodiversity Monitoring (SNMB). This world-class, cutting-edge instrument will systematically collect information about Mexico's biodiversity and, like an X-ray, allow us to diagnose the health of ecosystems. This information will be available to the public in 2017 to use in orienting strategic actions in managing the territory and protecting the flora and fauna of a country that is home to 12% of the world's species. The preliminary results gave rise to the first national map of ecosystem integrity, presented in Cancun at the COP13.

The National System of Biodiversity Monitoring will be available to the public in 2017.

The SNMB is expected to continue to grow in coming years, and FMCN will provide a 7-million-dollar endowment to ensure that happens. In the near future, state governments, forest communities, and other national and international institutions will be able to join this initiative in favor of conserving Mexico's natural capital.

CONSERVATION OF COASTAL WATERSHEDS IN THE CONTEXT OF CLIMATE CHANGE

The Conservation of Coastal Watersheds in the Context of Climate Change (C6) Project is an initiative of CONANP, CONAFOR, the National Institute of Ecology and Climate Change (INECC), and FMCN. It focuses on six watersheds in the Gulf of Mexico and ten in the Gulf of California. As part of this project, in 2016, CONANP strengthened the operations of six federal protected areas; CONAFOR selected 12,200 hectares within the jaguar's biological corridor in Jalisco watersheds, whose owners will be paid for ecosystem services; the INECC developed investment plans for integrated management of three watersheds with broad public participation; and, with the support of the regionally-based Gulf of Mexico Fund (FGM) and the Northwest Fund (FONNOR), FMCN promoted regional, sustainable forest management through 32 subprojects.

SUSTAINABLE CATTLE RANCHING IN MEXICO'S NORTHEAST

Despite operating in semi-arid areas, water runs year-round and there is always grass for the cattle: that is the experience of ranchers in northern Mexico using regenerative ranch management, which helps restore the natural productivity of native grasslands. Together, these tracts of land form mosaics of private, working landscapes for conservation that constitute biological corridors among natural protected areas on both sides of the U.S.-Mexico border.

FMCN develops financial mechanisms and knowledge-sharing models so private ranch owners can invest in good land management and forge strategic alliances to foster a culture of conservation in the cattle-ranching sector.

In 2016, new ranches joined the program through the Pasticultores del Desierto Foundation and the National Association of Diversified Ranchers (ANGADI), making it possible to expand the project's reach. Today, the project accounts for more than 160,000 hectares and over 7,800 head of cattle under this kind of regenerative management. The plan is to extend it through the entire country thanks to the new collaboration with the Bank of Mexico's Agriculture-Related Trusts (FIRA), and internationally, with FMCN's participation in the International Land Conservation Network (ILCN).

The Endangered Species Conservation Fund was created with a **1-million-dollar** endowment contribution.

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THE NATURAL PROTECTED AREAS FUND

The Natural Protected Areas Fund (FANP) has consolidated as one of the most successful mechanisms for supporting operations in protected areas (PA), and has evolved in step with the country's needs and challenges. FANP finances 29 PAs to strengthen their operation and ensure the long-term conservation of priority ecosystems.

In 2016, the subprojects focused on monitoring ecosystems; strategic financial planning; wetland management and adaptation; training for the Mexican Network of Biosphere Reserves (Red BioMéxico); and consolidating the CONANP park ranger structure for effective PA management.

FANP also provided financial support to the Revillagigedo Archipelago Biosphere Reserve and the Cozumel Reefs National Marine Park. This included a strategic planning workshop with PA personnel and technical-administrative training of their staffs.

To date, FANP has supported 39 endangered species. Among them are the four predominant species of mangrove in Mexico and one species of *axolotl*, or Mexican salamander, endemic to the country. The resources channeled to PAs have been key in recovering populations of species like the Baja California pronghorn, the grey whale, and the Monarch butterfly.

Ralph Lee Hopkins

THE ENDANGERED SPECIES CONSERVATION FUND

As part of the FMCN/CONANP-led project, Strengthening the Management of the NPA System to Improve the Conservation of Endangered Species and Their Habitats, GEF contributed one million dollars to FMCN in 2016 to seed the Endangered Species Conservation Fund (FONCER). This endowment fund is expected to provide funding for an efficient, innovative mechanism for the long-term conservation of Mexico's endangered species. Through CONANP, the federal government has pledged to match an equivalent sum in 2017, and FMCN will mobilize additional resources to reach the initial capitalization goal of three million dollars.

Currently, the project includes 14 species of importance to Mexico: the Baja California pronghorn, the California condor, the golden eagle, the Mexican wolf, the loggerhead sea turtle, the green sea turtle, the leatherback sea turtle, the hawksbill sea turtle, the Kemp's ridley sea turtle, the olive ridley sea turtle, the jaguar, the Baird's tapir, the Cedros Island mule deer, and the vaquita.

CONSERVING THE GULF OF CALIFORNIA

The Gulf of California Fund (FGC) is a long-term financing mechanism to support management and conservation of priority ecosystems and natural resources in marine protected areas (MPA) in the Gulf of California and the northern Pacific coast of Mexico.

In 2016, the FGC financed 26 subprojects to improve MPA operations and strengthen the social fabric of coastal communities, river fishing practices, and the promotion of sustainable tourism. Civil society organizations carried out these subprojects in close coordination with the government agencies CONANP, the National Commission of Aquaculture and Fisheries (CONAPESCA), and the National Fisheries Institute (INAPESCA).

One of the initiatives financed made it possible for Pronatura Noroeste, the Network of Citizen Observers of La Paz, Eco-Alianza, and the Natural History Society Niparajá to launch the "Heroes Wanted" campaign, focusing on mobilizing resources for conservation, surveillance, and sustainable use of the region's MPAs.

The Gulf of California Fund projects defended 38 species of endangered flora and fauna.

Ralph Lee Hopkins

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PROTECTING CITIES' WATER SOURCES: A MODEL FOR COOPERATION

Since 2001, the Cities and Watersheds Program has developed initiatives and models for inter-institutional cooperation to protect and restore the watersheds that supply important cities in Mexico by strengthening community participation, coordination, and matching investments by key stakeholders.

FMCN supported eleven local initiatives in 2016 through this program. Taken together, they conserve and comprehensively manage approximately 30,000 hectares of watersheds; on 18,800 of these, local residents are paid to provide ecosystem services, directly benefitting more than 2,000 families.

As part of the Cities and Watersheds Program, FMCN provides technical, financial, and coordinating assistance for local capacity-building and institutional arrangements that support long-term initiatives. One example of this is the Sendas, A.C. alliance with the government of the city of Xalapa and its Municipal Water and Sanitation Commission. In 2016, the alliance launched a publicity campaign to raise awareness among the city's inhabitants about the environmental services the Pixquiac River Basin provides and to allow users to donate to the project through their water bills.

One project that stands out among many for its effectiveness, management, and financial self-sufficiency is the Zapalinamé Range project carried out in partnership with Profauna, A.C in Saltillo, Coahuila.

> FMCN supported 11 local initiatives for the comprehensive conservation of 130,000 hectares of watersheds.

PROTECTING THE LARGEST REEF IN THE AMERICAS

The Conservation of Marine Resources in Central America project, coordinated by the MAR Fund, promotes the protection and conservation of marine coastal ecosystems and fosters better management practices and the sustainable use of resources in the protected areas of Belize, Guatemala, Honduras, and Mexico.

As a member of MAR Fund, FMCN participates in this project in Mexico. In 2016, its first phase was completed in the Yum Balam Wildlife Protection Area; and the second year of the project began in the Bahía de Chetumal Manatee Sanctuary. In addition, FMCN continued the MAR Fund small grants program, through which it financed two monitoring projects in 2016 for megafauna and juvenile sea turtles.

The MAR Fund has achieved a meaningful investment in the Mesoamerican Reef region, including 19.1 million dollars for projects and 35 million dollars to set up an endowment. Recently, the Oak Foundation awarded the MAR Fund a 10-million-dollar challenge grant for an endowment to the Belize Marine Fund to ensure financial sustainability for conservation and marine resource management in the country. In order to receive this donation, MAR Fund committed to finding 15 million dollars in matching funds.

> The MAR Fund financed two projects to monitor megafauna and juvenile sea turtles.

Lorenzo de Rosenzweig

STRENGTHENING FOREST FIRE-FIGHTING CAPABILITIES

The Fire Management and Restoration Endowment Fund (FOMAFUR) is an initiative to improve key capacities in the government, CSOs, and local communities to fight and manage wildfires and carry out restoration work. In 2016, FMCN contributed six million pesos to eight projects: four support local capacity to protect against fires, and the other four are dedicated to improving fire emergency coordination in 11 federal protected areas in Campeche, Chiapas, Coahuila, the State of Mexico, Michoacán, Oaxaca, Puebla, Quintana Roo, and Yucatán.

Over its 18 years of operations, FOMAFUR has demonstrated its effectiveness for creating long-term alliances with public and private institutions and for mobilizing national and international resources to reduce the impact of forest fires on biodiversity in rural Mexico.

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COMMUNITY PARTICIPATION IN COMBATTING FOREST FIRES IN COAHUILA

Since 2014, Citibanamex Compromiso Social - through Fomento Ecológico Banamex, A.C. - has financed the project Fire Protection, Species Conservation and Community Participation in Priority Biodiversity Areas in the State of Coahuila, managed by FMCN in partnership with the Coahuila Ministry of the Environment (SEMA), CONAFOR, CONANP, and local civil society organizations.

In 2016, 13 brigades did firebreak maintenance and handled 35 incipient fires. Radio communications linking up the state's main forest areas and the State Fire Management Center infrastructure were also improved.

Activities also included training 69 technicians to deal with black bear forays into human settlements and installing 15 pieces of equipment to monitor them. In this same period, the project offered support in 34 cases of reported incidents with black bears and handling eight bears according to established protocol. To promote awareness and appreciation among citizens, FMCN designed and implemented a communications campaign with infographics about the black bear, the golden eagle, and the prairie dog, all emblematic species of the region.

> 69 technicians were trained to deal with black bear forays into human settlements.

INTERNATIONAL COOPERATION FOR FIGHTING WILDFIRES

FMCN partners with the U.S. Forest Service in supporting technical assistance and capacity building in conservation, restoration, and management of the country's forest resources, in alliance with CONAFOR, CONANP, and civil society organizations.

In 2016, this contributed to specialized personnel increasing their capability for detecting carbon in soil and mangroves, effecting ecological restoration in the face of climate change, watershed management, and monitoring water quality. Twelve forest-fire training workshops covered topics such as fire dynamics, developing fire management programs in protected areas, and the use of the National System of Incident Management. More than 250 technicians from the states of Campeche, Coahuila, Chiapas, Guanajuato, Michoacán, and Yucatán in Mexico, and Michigan in the United States attended.

The Monarch Butterfly Conservation Fund has paid 51 million pesos for environmental services.

MONARCH BUTTERFLY CONSERVATION FUND

The Monarch Butterfly Conservation Fund (FCMM) has contributed to the significant drop in illegal logging and the recovery of the forests in the Monarch Butterfly Biosphere Reserve core zone. In the 16 years this innovative financial mechanism has been operating, it has paid almost 51 million pesos for ecosystem services to 34 *ejidos* and communities; in the last eight years, CONAFOR has matched its funds.

The FCMM strengthens these agrarian communities' ability to comply with the fiscal obligations required for FMCN to pay them for conservation services to protect the reserve.

FMCN

Luis Felipe Lozano

RESTORING THE GOLDEN EAGLE'S HABITAT

The project took important steps forward in its fourth year. Today, approximately 120 pairs of golden eagles have been registered in the wild in Mexico. Local FMCN partners have observed a significant number of golden eagles injured by accidental poisoning, electrocution, and collisions with man-made infrastructure. To help deal with this, the project supported the rehabilitation of three affected birds. It will be an important goal to professionalize the rehabilitation of injured birds and contribute to rapidly establishing one or more rehabilitation centers for birds of prey and wild animals.

Conservation efforts funded by the project continued in grasslands, the golden eagle's habitat and home to very diverse flora and fauna. Project members in the state of Zacatecas installed water troughs for wildlife, sowed native grasses, and reintroduced a population of wild turkeys and two colonies of prairie dogs; the latter will improve the health of the ecosystem since prairie dog burrows facilitate soil oxygenation and water retention in the subsoil.

In Baja California, FMCN facilitated a training workshop for personnel from the Valle de los Cirios Wildlife Protection Area and local communities to identify nesting sites and register species sightings.

Conservation efforts continued in grasslands, the golden eagle's habitat and home to very diverse flora and fauna.

PRESERVING BIODIVERSITY THROUGH THE KITCHEN

Nicarajá

Located in the states of Puebla and Oaxaca, the Tehuacán-Cuicatlán Biosphere Reserve is a world biodiversity center. However, like other PAs in Mexico, it is threatened by overgrazing, deforestation, and trafficking in plant and animal species. The San Pedro Tetitlán indigenous community lives inside the reserve, carrying out joint conservation activities with CONANP and FANP. This alliance and the Sustainable Rural Life (VRS) program provided more than 100 families with firewood-saving stoves to replace the traditional, open fires, thus improving family health and avoiding small tree-felling operations and greenhouse-gas emissions. Atlequizayan, an indigenous town in Puebla's Sierra Norte, which previously only had a single firewood-saving stove, also installed ten stoves.

VRS will begin focusing on fostering rural development models to benefit local inhabitants by teaching them the use, handling, and value of natural resources at capacity-building centers that foster the transfer of knowledge about sustainable best practices to make communities self-sufficient and prosperous in the long term.

More than 100 families received firewood-saving stoves in the Tehuacán-Culcatlán Biosphere Reserve.

STRENGTHENING COMMUNITY FORESTRY COMPANIES

The Forest Investment Program trained personnel from 21 community forestry companies in technical, fiscal, accounting, and legal issues. FMCN bolstered these companies' basic technical and managerial skills to optimize lumber milling; the harvest and commercialization of tropical non-wood products like bread nut and allspice; beekeeping; soil enrichment; and the renewal of organic coffee fields.

Forest Investment Program partner FINDECA provided 36 million pesos to fund 16 community forestry companies.

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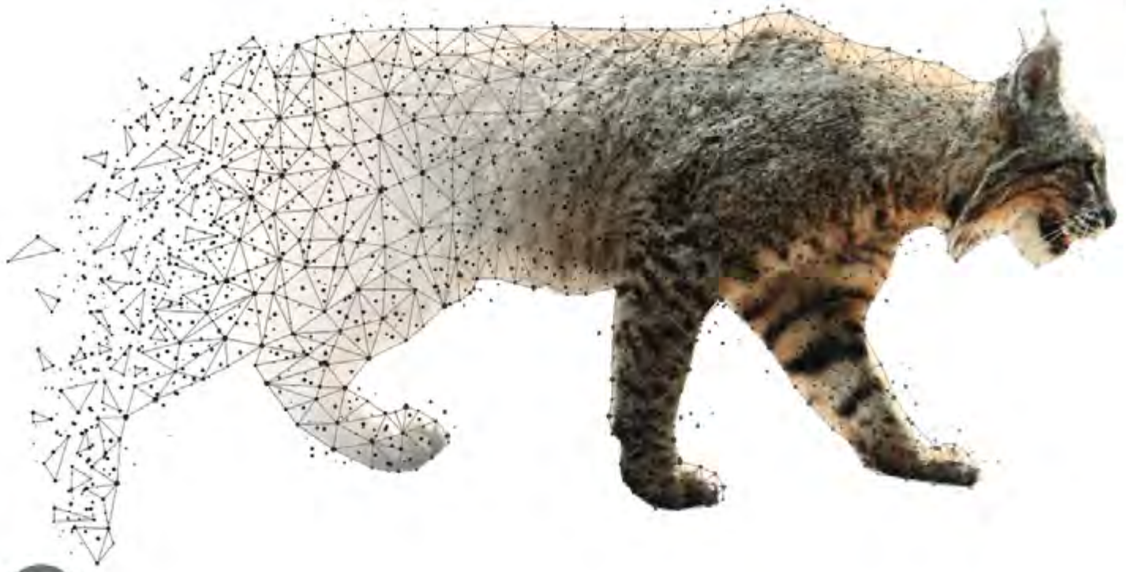
Program partner FINDECA provided 16 community forestry companies with 36 million pesos for harvesting coffee, honey, and organic chicle gum, renewing organic coffee fields, milling wood into certified rolls, and furniture making.

This is a model of the new generation of FMCN projects that will make it possible to link up businesses with conservation and improve incomes in rural communities.



Building Local and Regional Capacity

Community forestry companies held their first conference in 2016.

FMCN

KNOWLEDGE EXCHANGE AMONG COMMUNITY GROUPS

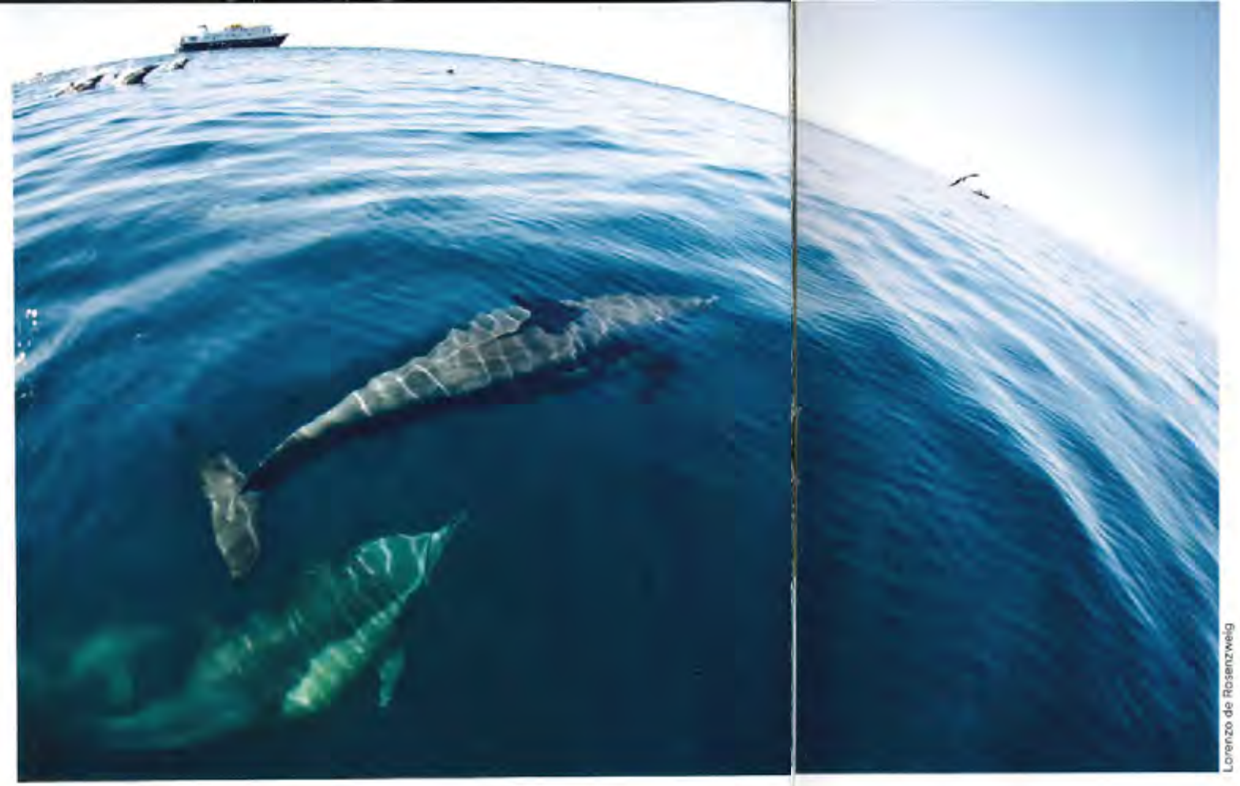
Since 2001, FMCN has consolidated links with its civil society and government allies through learning communities that promote information exchange, capacity building, and the dissemination of experiences in fire, watershed, and protected area management. The learning communities centering on fire management (CAMAFU), marine and coastal ecosystems (CAMAC), cities and watersheds (CACyC), protected areas (CAAP), and community forestry companies (EMFOCO y Desarrollo) are currently active. In 2016, the first conference of the community forestry companies project enabled community groups to share their experiences and exchange information. Sixty people and 20 community forestry companies attended from Campeche, Jalisco, Oaxaca, Quintana Roo, and Yucatán, as well as CONAFOR and the Chicza company.

STRENGTHENING CIVIL SOCIETY FOR THE CONSERVATION OF MEXICO'S NORTHWEST

The Pescadero Program, developed in coordination with FONNOR, aims to strengthen civil society organizations' institutional capacity and leadership in Mexico's Northwest around issues of governance, management and administration, leadership, fundraising, communication, and strategic planning.

Since 2014, the program has provided specialized coaching to 21 organizations and carried out 22 training events for representatives of 56 CSOs on fiscal and accounting issues, labor relations and human resources, leadership, fundraising strategies, communications, public relations, and board development. In 2016, it concluded the third training on leadership skills for CSO middle-level and managerial staff; in all, 44 professionals have benefitted from this aspect of the program's activities.

The Pescadero Program has trained more than 50 CSOs in the development of leadership skills.



Lorenzo de Rosenzweig

ESTABLISHING THE MEXICAN ENVIRONMENTAL FUNDS NETWORK

FMCN contributes to regional conservation through the creation of regional funds, participating in the design of the El Triunfo Conservation Fund (2002), the MAR Fund (2003), and the Gulf of California Fund (2005). In 2013, as part of the design of the Conservation of Coastal Watersheds in the Context of Climate Change (C6) project, it promoted the creation of the Gulf of Mexico Fund (FGM) and Fondo Noroeste (FONNOR). Independent assessments state that this kind of regional fund strengthens FMCN's capacity to effectively impact conservation management.

In 2016, FMCN fostered the creation of the Mexican Environmental Funds Network.

In 2016, FMCN fostered the creation of the Mexican Environmental Funds Network (RedFAM), following the model of the Latin American and Caribbean Network of Environmental Funds (RedLAC). It also promoted the implementation of international standards for regional funds. Compliance with these standards will allow FMCN to reduce costs and improve attention to organizations working in the field.

FONDO DE CONSERVACION EL TRIUNFO
CHIAPAS · MEXICO

FGM
Fondo Golfo de México

FONNOR
Fondo Noroeste

TRAINING A NEW GENERATION OF CONSERVATION LEADERS

The Mesoamerican Reef Leadership Program trained 12 local leaders in 2016 to promote the blue economy as a model of sustainable development in the Mesoamerican Reef System (MAR). The idea of the blue economy encourages a sustainable economy based on the ocean and coastal areas where economic activity is in balance with the ecosystems' long-term capabilities.

The 2016 cohort will work on innovative, high-impact projects dealing with the sustainable use of marine resources in fisheries, aquaculture, tourism and coastal development, maritime transportation, and water conservation. These projects will promote the region's socio-economic development and incorporate economic tools to protect the MAR.

The MAR Leadership Program promotes the blue economy as a model for sustainable development.

Lorenzo de Rosenzweig

Public Policy

LOOKING BACK – AND FORWARD – AT BIODIVERSITY CONSERVATION IN MEXICO

Mexico's ecosystems are a collective good on which our country's competitiveness depends and the canvas on which our identity and cultural diversity are drawn. The design of environmental public policy is the cornerstone of effective natural capital management. The environmental goods and services that bring quality of life and health to the Mexican people are a public interest issue, and public policy translated into laws and regulations allows us to defend them.

That is why, with the support of 12 Mexican conservationist organizations, FMCN called on 32 experts to participate in writing the report *Biodiversity Conservation in Mexico: Achievements and Challenges from the Perspective of Civil Society (1995–2017)*. Officially presented at the COP13 in December 2016, this document offers 67 concrete recommendations for improving the performance of environmental management in Mexico. It is available at www.biodiversidad2016.org.mx.

Biodiversity Conservation in Mexico: Achievements and Challenges from the Perspective of Civil Society (1995–2017) offers 67 recommendations for improving environmental management in Mexico.

Lorenzo de Rosenzweig

THE WORLD NATURE CONGRESS

FMCN attended the 2016 World Nature Congress organized by the International Union for the Conservation of Nature (IUCN) in Hawai'i in the United States. Together with the Gonzalo Río Arronte Foundation and CONANP, it shared the experiences of the Cities and Watersheds program and the Conservation of Coastal Watersheds in the Context of Climate Change (C6) project. Both efforts are rooted in multisectoral cooperation and promote integrated management of ecosystems and water resources to conserve biodiversity and mitigate climate change.

Participants underlined the key role civil society organizations play in linking cities, coastal areas, and water replenishment areas, as well as strengthening inter-institutional cooperation and coordination to replace sectoral water management, and promoting a shared vision and a comprehensive approach to watershed management.

FMCN's participation in an international forum of this kind, which brings together more than 1,300 IUCN members, facilitates information exchange and the update of global trends in nature conservation.

FMCN participated in the World Nature Congress, a gathering of more than 1,300 IUCN members.

IUCN World Conservation Congress Hawai'i 2016

ALLIANCE WITH THE CONSERVATION STRATEGY FUND

In partnership with the Conservation Strategy Fund (CSF), the Environmental Defense Fund (EDF), and the National Autonomous University of Mexico (UNAM), FMCN set the foundation for a conservation economics program that would reconcile the development of infrastructure key to the country's economy with the conservation of our natural capital, specifically in protected areas and other places essential for the provision of ecosystem services. This alliance includes a training program through two kinds of workshops for conservation professionals: one for analysis and conservation economics, and another on conflict resolution between private parties of the primary sector (agriculture, livestock, and fishing) and conservation. The partnership also includes plans for a series of studies focused on specific topics such as the construction of hydroelectric plants and the design of compensation mechanisms.

ATTENDING THE COP13

The 13th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP13), the world's most important meeting on biodiversity, took place in December 2016 in Cancun, Quintana Roo. The central topic was the development of criteria for protecting biodiversity in four productive areas: agriculture, fishing, forestry, and tourism. More than 7,000 people from around the world attended, among them, Mexico's president and the ministers of the environment, agriculture, tourism, and other sectors, and their counterparts from other countries.

During the COP13, FMCN organized two sessions about the conservation of the Mesoamerican Reef and promoted the concept of blue carbon at different forums. It also presented the document *Biodiversity Conservation in Mexico: Achievements and Challenges from the Perspective of Civil Society (1995-2017)*, and, together with CONANP, the Project Finance for Permanence initiative, a strategy for obtaining additional financing to strengthen the operation and effective management of the country's PA system and reducing CONANP's financial gap by the year 2027.

UN BIODIVERSITY CONFERENCE
COP13-COPMOP8-COPMOP2
CANCUN, MEXICO 2016
MAINSTREAMING BIODIVERSITY FOR WELL-BEING

More than 7,000 people attended the COP13, where FMCN promoted its conservation strategies.

FMCN's participation at the Business and Biodiversity Forum clearly stood out: it presented its experience with financial mechanisms for investing in conservation projects and the sustainable use of biodiversity to more than 350 international representatives from the private sector. At the forum's conclusion, 103 companies signed the Business and Biodiversity Pledge to move beyond corporate social responsibility and include conservation and the sustainable use of natural capital in businesses' mission, strategic planning, and operations. FMCN also presented the success story of the Monarch Butterfly Conservation Fund as a model for payment for ecosystem services at the Civil Society and Youth Alliances Forum.

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4TH NATIONAL CONGRESS FOR WATERSHED MANAGEMENT IN THE CONTEXT OF CLIMATE CHANGE

The Fourth National Hydrographic Watershed Management Congress, dedicated to watershed management in the context of climate change, brought together more than 800 participants from all over the country in late 2016. For three days, they debated current issues such as the proposal of a new National Water Law, the growth of cities and their water supply, watershed management, social participation, water monitoring, watershed models, and support programs such as payments for ecosystem services.

The congress called on representatives of federal, state, and municipal governments, academia, civil society, and the private sector to come together around this issue, which is essential for planning and the country's development.

REDLAC18
ASSEMBLY / BRAZIL 2016

LATIN AMERICAN AND CARIBBEAN NETWORK OF ENVIRONMENTAL FUNDS

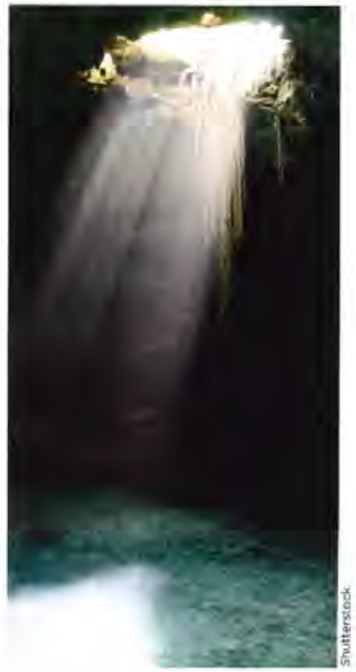
Brasilia, Brazil, was the host city for the 18th RedLAC Assembly in November 2016. This is one of the most important meetings about cooperation among environmental funds and financing for conservation in the region. FMCN moderated the panel Financial Mechanisms for Conservation and informed about its experiences collaborating with Mexico's business community.

At the assembly, FMCN participated in a National Geographic Society training workshop on narrative, negotiation for social causes, communication on social networks, and photography. It also began talks with the founder of Apolitical, a world leader in knowledge exchange for improving performance of the world's governments, to explore the possibility of a specific partnership and an alliance for Mexico.

YUCATÁN'S THREATENED UNDERGROUND WATER

Fresh water is the world's most valuable resource and is increasingly scarce. More than 337 underground rivers and 847 *cenotes* make up 1,300 kilometers of tunnels and flooded galleries in the Yucatán Peninsula and are the region's only source of fresh water. Only 20 percent of these underground river systems have been explored, but we know that they are home to more than 37 species adapted to living in the dark; at least 8 of which are endemic to the area. Both human and fossil remains over 12,000 years old have also been discovered here.

This vast, unknown natural and cultural heritage is unprotected and vulnerable given the state of Quintana Roo's unplanned development. Mining, inappropriate handling of residual waste, fertilizers, and chemicals from golf courses, as well as sewage runoff from big tourist developments have contaminated the aquifer, and, as a result, the Mesoamerican Reef System that these rivers flow into. Given these threats, in 2016, FMCN prepared an analysis and a report to raise awareness about this situation, inviting the government, the private sector, and civil society to protect this vital, irreplaceable source of water.



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Alejandro Balaguer/Fondo SAM

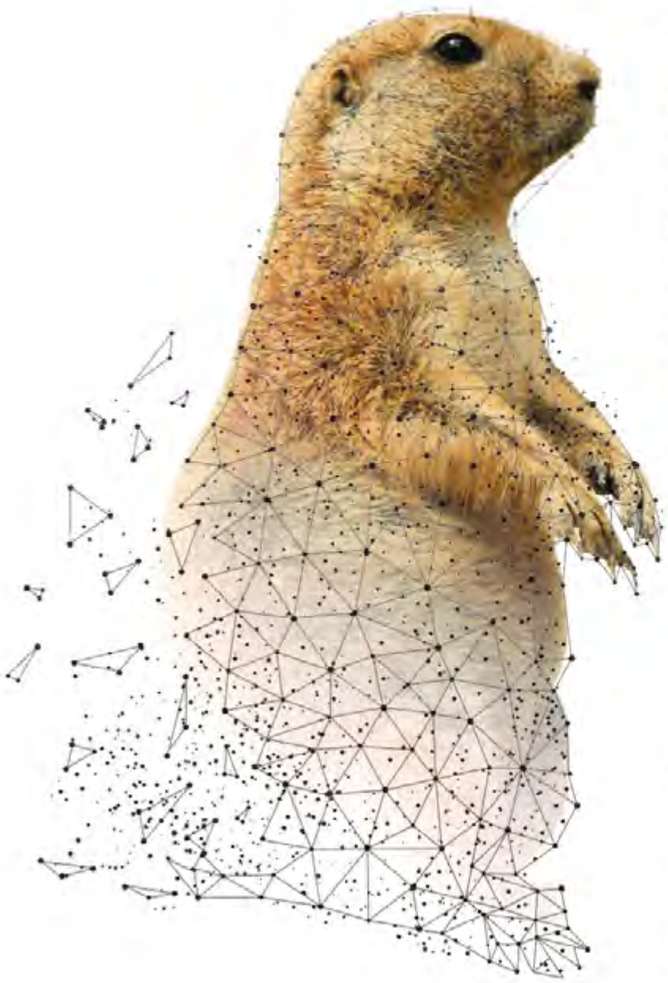
BLUE CARBON IN MEXICO

Mangroves, seagrasses, and marshes are capable of storing more carbon —blue carbon— per square unit than tropical forests; they also protect coastlines, sustain fishing grounds, and filter water. This means that their conservation and restoration are a cost-effective solution for mitigating and adapting to climate change. Including them in national and state climate change and biodiversity strategies is a unique opportunity to impact public policy and access to innovative conservation financing.

The Commission for Environmental Cooperation commissioned FMCN and the Mexican Center for Environmental Law to analyze Mexico's international commitments. They identified strengths in federal and state legislation and financial opportunities such as including emissions in the national budget and strengthening volunteer coastal carbon markets.

Communication

FMCN



COMMUNICATION FOR CONSERVATION

In November 2016, FMCN and the Ibero-American University organized a meeting with Céline Cousteau in which she shared material from her most recent documentary, *Tribus al borde* (Tribes on the Edge). The film deals with the problems facing indigenous tribes from the Brazilian Amazonian Javari Valley, such as limited access to health care and the government's lack of interest in protecting them. The meeting gave rise to conversations with students about the consequences of our actions for the planet, the close connection between humanity and the environment, and the fact that we can all contribute to conservation from wherever we are.

Céline Cousteau

The first stage of the Ambassadors of Nature project concluded in 2016, creating a series of 18 infographics of iconic Mexican species, such as the manatee, the white shark, and the bighorn sheep. The series will be presented and distributed in 2017 in different PAs and key biodiversity sites.

Jane Goodall also visited Mexico to promote the conservation of our natural resources and publicize Roots & Shoots, a Jane Goodall Institute global environmental education program.

FMCN IN THE MEDIA

Dissemination and positioning of FMCN programs and projects are essential for making Mexican society aware of the state of conservation of the country's biodiversity and to encourage participation in caring for natural resources. In 2016, FMCN's work was featured in both traditional and digital media: more than 100 printed and digital articles mentioned the institution and disseminated its programs' impact. Also, members gave more than 20 radio and television interviews to local, national, and international media outlets.

FMCN platforms widely publicized the visits to Mexico of activists Jane Goodall and Céline Cousteau, the Kiehl's campaigns for conserving wetlands, and 7-Eleven México's campaign to address climate change. The video about the Mahahual Beach in Quintana Roo raised awareness about the problem of trash along coastlines and got more than 200,000 hits in less than a month.

Also, the live-streaming transmission of the COP13 presentation on blue carbon and Jane Goodall's extraordinary keynote address to members of Mexico's financial sector garnered great interest. These special events, together with FMCN's ongoing updating of its online platforms increased the number of followers and interactions with the public by 35%. FMCN now has more than 12,000 followers on social networks. Digital spaces for sharing information are a new avenue that FMCN will continue to use and explore in the coming years.

FMCN

WITNESSING A GROWING FAMILY OF GOLDEN EAGLES

Ambassador of Nature is an informative short on the golden eagle in Mexico that won first prize at the 2016 National Scientific Film Festival in Mexico and was widely distributed nationally and internationally. Its aim was to raise awareness about the threat to this species and its habitat.

The short uses images from a high-resolution video camera installed in an active nest of a pair of golden eagles. *Ambassador of Nature* reveals for the first time in Mexico images of the activities of a family of golden eagles, such as upkeep of the nest, feeding and caring for the chick, and the first flight of a 10-week-old fledgling.

This short helped position FMCN on social networks and digital media and features new actors who have come to the rescue of this bird, Mexico's national emblem.

FMCN

Financial and Operating Resources and Internal Controls

STRENGTHENING OUR ACTIVITIES

FMCN has offices in Mexico City, Xalapa, La Paz, Cancun, and Saltillo. In 2016, it acquired a property to enlarge the Xalapa office and to share with the FGM team. The new headquarters is part of a cluster of academic, public, and conservationist institutions that will allow FMCN to foster regional initiatives and act as a model for other parts of the country.

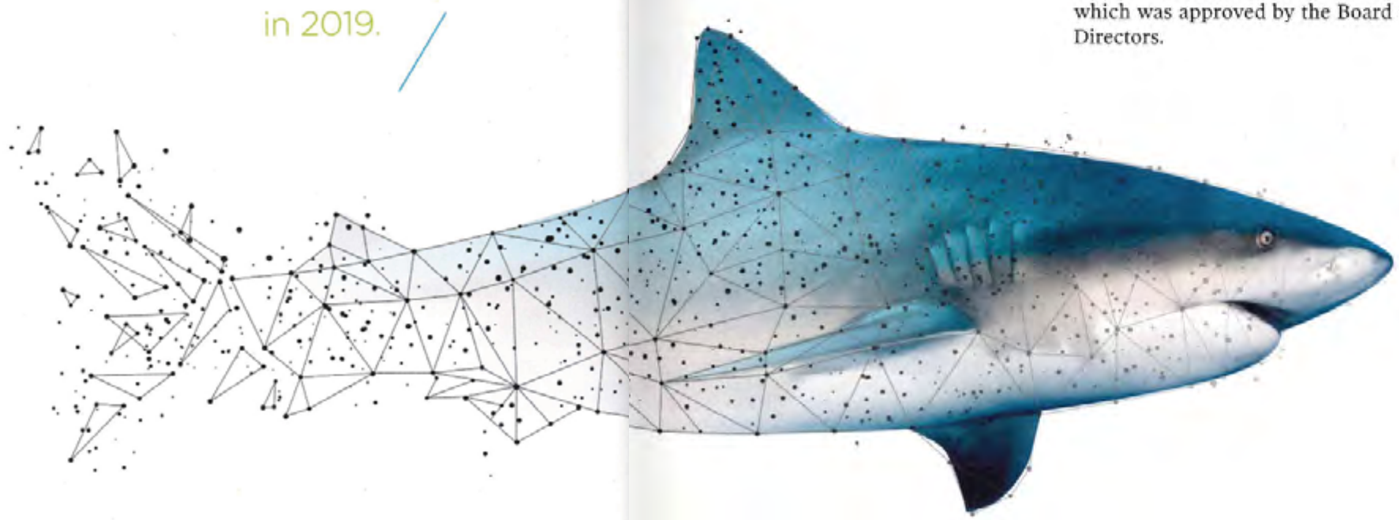
In 2016, FMCN's risk-control review defined the five structural elements of internal controls: an environment of control, risk assessment, control activities, information and communication, and monitoring. It also created the internal audit area. This will make FMCN operations more effective and ensure trustworthy financial information and compliance with existing legislation.

Although FMCN already has a case study detailing its origins and development, starting with its design in 1993, it is important to systematize the lessons learned and document its history in the most detail possible. It has begun writing the book *The History of Our Future: A Chronicle of the Conservation Movement in Mexico*, to be launched in November 2019 as part of the celebrations of FMCN's first 25 years. With that in mind, FMCN staff began gathering and systematizing documents and historical photographs and designed a first round of interviews with Mexican and international actors involved in FMCN's origins and the development of Mexico's conservationist movement. Through a competitive bidding process, FMCN hired a professional author and storyteller to develop the book.

CONSOLIDATING THE FUNDRAISING TEAM

In 2016, FMCN consolidated its institutional fundraising capacity and technical support for conservation. Hiring a fundraising and innovation officer, creating a donor and technical resource data base, and reprogramming some of the executive director's activities so he could dedicate more time to this endeavor were all fundamental to the process. Over the year, the Department of Communications and Development became part of FMCN's institutional structure to coordinate the fundraising efforts of the Management and Conservation departments, as well as with the leaderships of the regional funds FONNOR and FGM.

FMCN will be celebrating its first 25 years in 2019.



FMCN

LEADERSHIP TRANSITION

In 2016, the Succession Planning Committee coordinated the development of FMCN's Leadership Transition Plan, which was approved by the Board of Directors.

The plan's aim is to ensure effective coverage of the functions and responsibilities of both the executive director and the department directors during future transition periods, since these posts are critical for the institution's successful long-term operation and viability. The plan's correct implementation will ensure that the outgoing directors' knowledge and experience will be shared with the new hires and key personnel. Ideally, the outgoing leadership's systematic contributions, together with full involvement by the Board of Directors and key personnel, will guarantee continuity, both externally and internally, of effective, efficient operations and a positive leadership environment.

Donors

FMCN thanks its partners, donors, and friends for their support.

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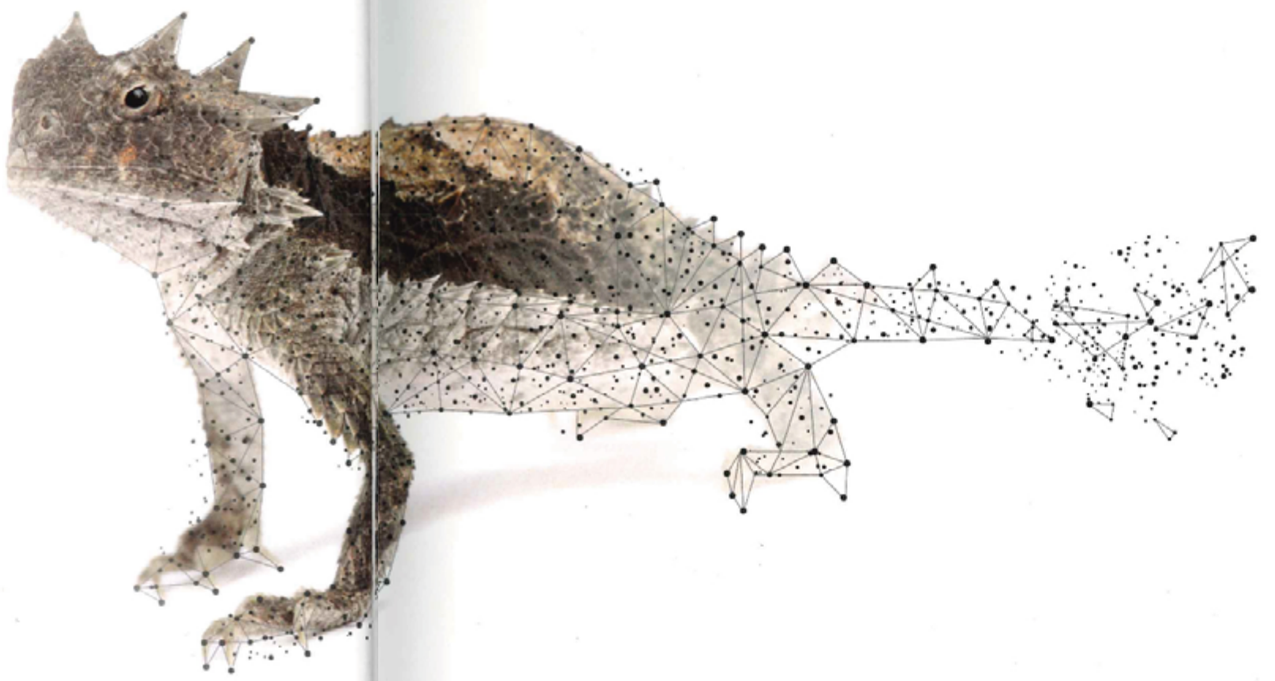

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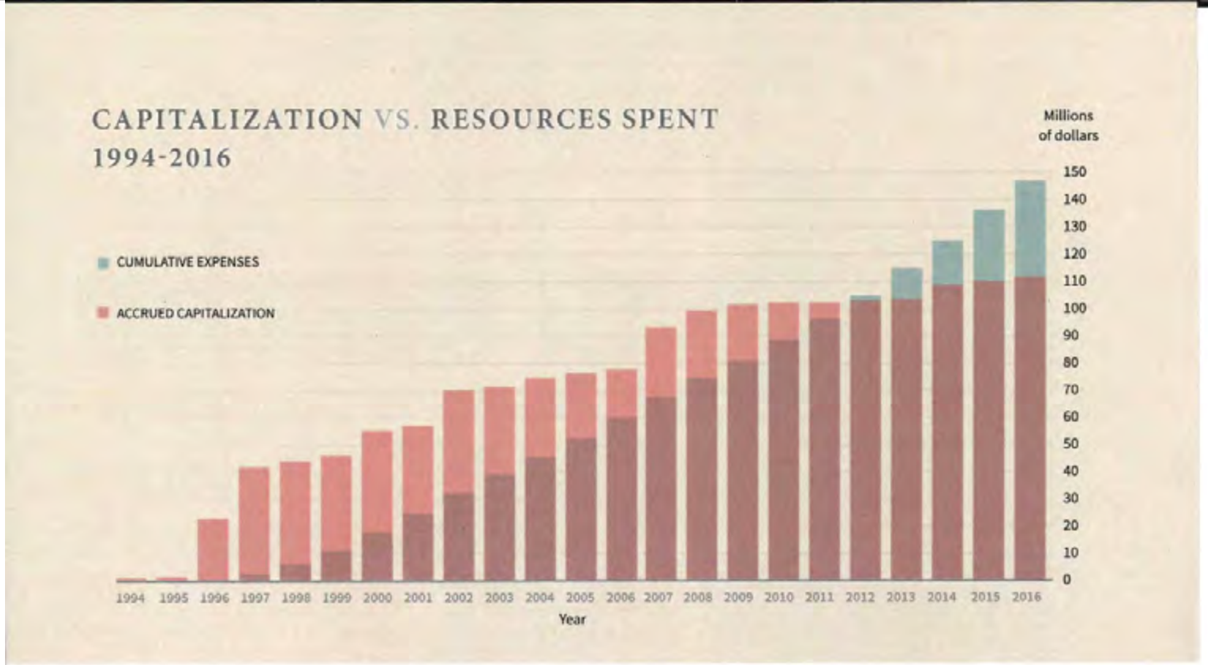
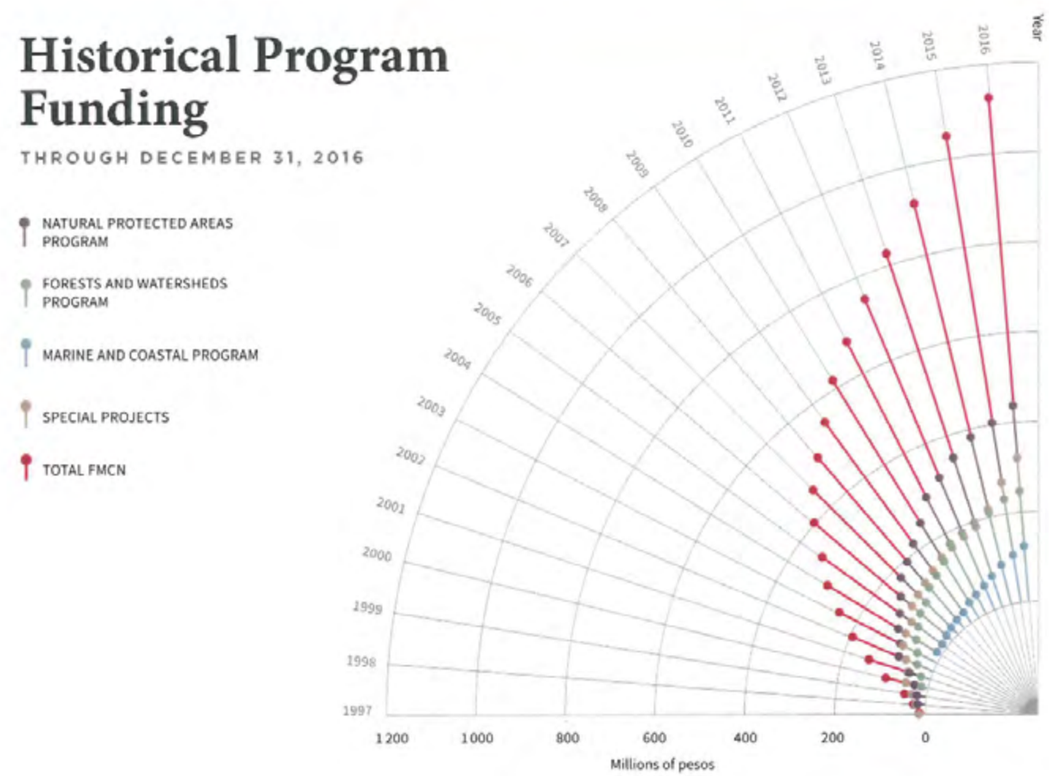
FONDO MEXICANO PARA LA CONSERVACIÓN DE LA NATURALEZA, A.C.
INSTITUCIÓN PRIVADA



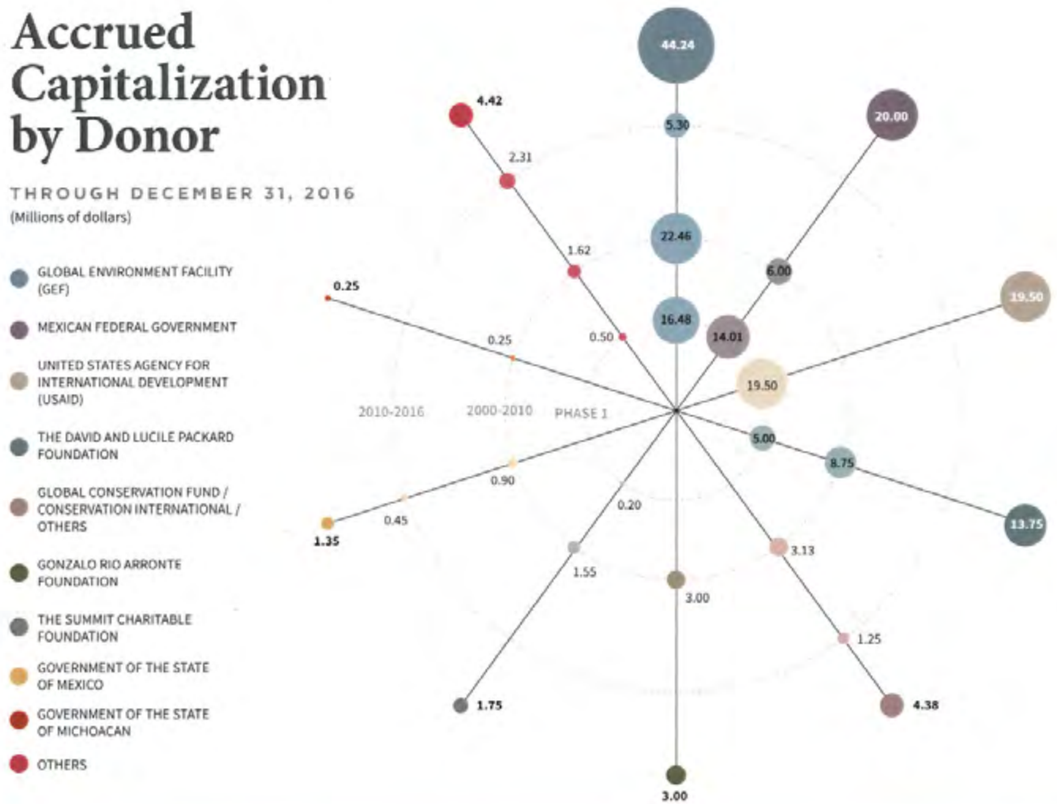
Historical Program Funding

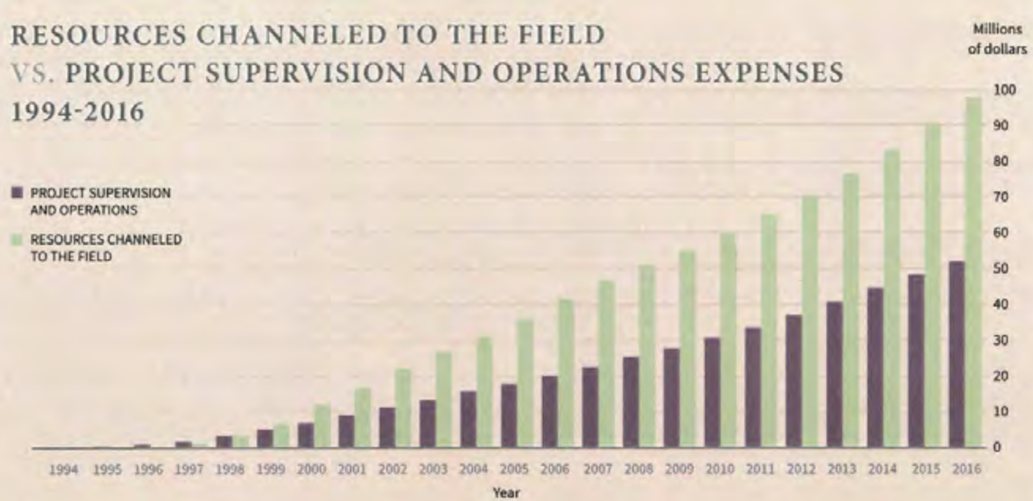
THROUGH DECEMBER 31, 2016



Accrued Capitalization by Donor

THROUGH DECEMBER 31, 2016
(Millions of dollars)





Statement of Financial Position

AS OF DECEMBER 31, 2016 AND 2015
(IN MEXICAN PESOS)

ASSETS	2016	2015
Current assets		
Cash and cash equivalents	11,436,942	5,440,568
Payments in advance to conservation projects through mandate agreements	-	2,706,491
Sundry debtors	612,568	899,716
Total current assets	**12,049,510**	**9,046,775**
Restricted cash and investments in securities	2,353,742,211	2,033,531,182
Property, furniture and equipment - Net	5,295,091	2,229,063
Warranty deposits	164,217	154,507
Total assets	**2,371,251,029**	**2,044,961,527**

LIABILITIES AND ENDOWMENT	2016	2015
Short term liabilities		
Sundry creditors	3,625,731	537,852
Taxes and accrued liabilities	1,389,709	1,252,793
Accrued income tax - Net	193,913	83,392
Total short term liabilities	**5,209,353**	**1,874,037**
Employee retirement benefits	3,006,901	4,246,143
Total liabilities	**8,216,254**	**6,120,180**
Commitments		
Endowment		
Permanently restricted	1,616,909,617	1,587,126,750
Unrestricted endowment		
Retained earnings	451,714,597	338,367,354
Surplus of the year	296,960,952	113,347,243
Remeasurement of employee retirement benefits	(2,550,391)	-
Total endowment	2,363,034,775	2,038,841,347
Total liabilities and endowment	**2,371,251,029**	**2,044,961,527**

Statement of Activities

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(IN MEXICAN PESOS)

Changes in unrestricted endowment	2016	2015
Unrestricted income		
Performance of investments in securities - Net	130,996,925	84,730,944
Donations received	134,250,000	116,099,946
Services Revenues	3,198,730	-
Other income	80,501	144
Total	**268,526,156**	**200,831,034**
Unrestricted expenses		
Direct project expenses allocable to:		
Natural Protected Areas Program	34,896,253	28,424,230
Forest and Watersheds Program	18,385,335	20,247,765
Marine and Coastal Program	15,557,246	16,490,514
Special Projects	64,897,970	53,611,342
Total	**133,736,804**	**118,773,851**
Operating expenses allocable to:		
Natural Protected Areas Program	12,647,171	10,274,616
Forest and Watersheds Program	18,630,436	16,003,220
Marine and Coastal Program	4,657,095	5,232,855
Special Projects	8,212,166	5,266,615
Fundraising expenses	2,844,794	1,633,381
Indirect costs	12,607,848	13,612,047
Depreciation of property, furniture and equipment	940,856	1,684,685
Total	**60,540,366**	**53,707,419**
Administration expenses allocable to:		
Indirect costs	5,010,121	5,437,247
Total	**65,550,487**	**59,144,666**
Other expenses and outlays	81,020	1,038,260
Loss on disposal of property, furniture and equipment	1,861	409,914
Total	**82,881**	**1,448,174**
Comprehensive result of unrestricted financing:		
Bank commissions	(315,019)	(407,591)
Unrealized (loss) gain on the financial instruments	15,312,049	(73,715,379)
Foreign currency exchange gain	212,918,460	166,089,262
Total	**227,915,490**	**91,966,292**
Net change in the endowment value	297,071,474	113,430,635
Income taxes	110,522	83,392
Result of activities at the end of the year	**296,960,952**	**113,347,243**

Changes in the restricted endowment	2016	2015
Received during the year	29,782,867	20,267,500
Total restricted endowment contributions	326,743,819	133,614,743
Remeasurement of employee retirement benefits	(2,550,391)	-
Endowment at beginning of the year	**2,038,841,347**	**1,905,226,604**
Endowment at end of the year	**2,363,034,775**	**2,038,841,347**

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