

Republic of Moldova information about concept and principles
of innovative financial mechanisms.

Day 1, we propose the following generic questions for your consideration/reaction:

- (i) What do we mean by innovative financial mechanisms?

Innovative financial mechanism it is need to create enabling conditions for increased government management for local (private) sector support for the implementation of the concept of biodiversity conservation value.

- (ii) Why do we have to explore innovative financial mechanisms?

Almost all innovative financing mechanisms rely on a performing institutional environment and thus a well-functioning government and depend on national politics and level.. Voluntary private, nonmarket funding mechanisms are less dependent on these. In this case, Governments it is need to set the rules for markets function to achieve socially desirable results. Each type of financing mechanism has its advantages which must be assessed in each specific situation. There is not one mechanism that is most appropriate under all circumstances. Poverty reduction is becoming increasingly an important factor in ecosystem management and protection.

- (iii) What are basic common features of innovative financial mechanisms (apparently individual innovative financial mechanisms may have their own special characters)?

Innovative financial mechanisms is a tool used to implement environmental policy, but without a proper mix of funding and technology, it cannot be effectively enforced. The scale and range of financing should be properly designed and determined according to the environmental policy goals of the state or region.

The primary objective of environmental financing is to raise the funds necessary for special biodiversity protection purposes, but the choice of financial instrument may have far-reaching implications, including various economic and social impacts. Therefore, financial mechanisms should be properly designed so that they can meet multiple economic and social objectives, such as the improvement of economical instruments efficiency, correction of market and government failures, and the achievement of equity goals (i.e., income redistribution, re-adjustment of regional gaps). Among others, improving the efficiency of environmental projects is a key issue to consider in designing functional environmental financing mechanisms, especial for Moldova.. Moreover, in the reform of its economic system, the development of Innovative financial mechanisms focused on marketization is especially vital in order for Moldova to achieve both its economic and environmental objectives. In this regard, the following strategies should be considered in order to address the problems of insufficient investment and low efficiency:

- The roles of the various actors in investment should be clearly defined. Among them, the

Government should play a lead role by (i) implementing and enforcing environmental laws and regulations, (ii) increasing the amount of investment in its fiscal budget, and (iii)

promoting financial procurement from the market.

- Investors other than the Government and polluters should be encouraged in

environmental investment. To this end, the establishment and improvement of market-based financial mechanisms should be given high priority.

- **biodiversity conservation should be designated as priorities in the efforts to establish effective environmental financing mechanisms.**

(iv) What common steps are involved in advancing innovative financial mechanisms?

General steps to involved creation of innovative financial mechanisms, could be following activities:

- 1. The feasibility of establishing markets for ecosystem services, including consideration of the transaction costs associated with creating such markets;**
- 2. The degree of complexity involved in bundling various ecosystem services in an integrated manner so that markets for composite services can be created;**
- 3. The issue of determining the true value of specific ecosystem services;**
- 4. The possible use of current institutional structures within the MEAs to operationalize or support the creation of markets for ecosystem services;**
- 5. The modalities to ensure that access to markets for ecosystem services is equitable and that proceeds from these markets are distributed in a fair manner among the social groups directly affected by these ecosystem services;**
- 6. The ways and means to integrate these initiatives within national poverty reduction strategies and national budgets; and**
- 7. The level and type of trading platform that is optimal for each ecosystem service (e.g. a global trading platform for carbon credits etc.).**

(v) Is it necessary to have strategies or plans for exploring innovative financial mechanisms? If yes, what are essential elements in such strategies or plans?

There are, many extant strategies, programs plans related to the some important key of biodiversity objectives – conservation of biodiversity, sustainable use of biological resources and the equitable sharing of benefits. However, most of these strategies, programs plans focus on specific goods such as organic foods or sustainable timber, or specific services such as ecotourism, and do not directly focus on the natural areas affected by the provision of these goods and services. Thus a „biodiversity standard. could include existing strategies, programs plans for social and environmental responsibility plus additional commitments as appropriate to ensure that biodiversity is conserved and used sustainably. In this respect, a new strategy for innovative financial mechanisms should use existing biodiversity-relevant strategies, programs plans where these are credible and seen to represent best practice in the field concerned.

(vi) Do we need overarching principles on innovative financial mechanisms? If yes, what principles should we have?

YES, is necessary.

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management and protection. The issue of who has rights over what and receives funding thus is important in implementing financing mechanisms.

- (vii) What factors are important for achieving success on innovative financial mechanisms? Is there any lesson to learn?

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DAY 3

For day 3, we propose that you focus on reflecting what policy approach is preferable. If you prefer an interventionist approach, what will be your preferred sequence of (what) policy interventions on markets for ecosystem goods and services in the coming months and years? In other words, should one or two mechanisms be tested or promoted first? If yes, which should go first?

In our opinion, policy interventions is very important. It is need to establish a set of rules on how the ecosystems goods is managed, and on how user rights and responsibilities are distributed. These rules need to include the incentives, safeguards; dispute resolution processes and enforcement mechanisms used to control and co-ordinate the actions of various self-interested stakeholders, interacting in a bilateral and multilateral exchange relationship

An important precondition for financing mechanisms is that a well-functioning governance regime in place. If this is not the case, then either the willingness to invest in ecosystem management disappears, especially when funds are mismanaged because of a faulty governance regime. One may make the argument that in order to have a well-functioning governance regime, sufficient funding is needed. The political regime that manages ecosystems in a sustainable manner and that provides ecosystem functions, consists of a property rights structure and a set of rules that determines how the ecosystem area is managed.

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