

Economic and legislative aspects of applying the concept of harm reduction, in particular in relation to products and goods with less harmful properties (on the example of tobacco market analysis)

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Background

In Kazakhstan: 2018 - PF "Aman Saulyk" and partners - an initiative to develop a Harm Reduction Concept (HCR) in Kazakhstan

2018-2019 - wide public discussion of the CFR, referral to the Ministry of Health of the Republic of Kazakhstan and posting on the website of this ministry, discussion of the CFR on international platforms

2020-2021 - National Association "Densaulyk" and partners - an initiative to analyze the economic impact of state regulation in terms of differentiation of requirements for goods and products with less harmful properties (for example, alcohol, tobacco, vehicles)

2022-2023 is the final stage of work on the EAEU Technical Regulations for nicotine-containing products.

Development on the basis of the National project on new approaches to the formation of a healthy lifestyle for 2022-2025

**Main findings of the analysis of the
differentiated approach to the
regulation of goods with the least
harm (2021)**

THE ROLE OF EXCISE REGULATION IN HARM REDUCTION

EXHAUSTS

C₂H₅OH (ethanol)

CO₂ (carbon monoxide)

LEVEL OF HARM



SUV
Emissions: 100%
Tax: 100%



VODKA
Ethanol: 100%
Tax: 100%



SMOKING PRODUCTS
CO₂: 100%
Tax: 100%



CROSSOVER
Emissions: 30%
Tax: 30%



WINE
Ethanol: 30%
Tax: 30%



SMOKE FREE PRODUCTS
CO₂: 30%
Tax: 30%



ELECTRIC CAR
Emissions: 0%
Tax: 0%



BEER WITHOUT ALCOHOL
Ethanol: 0%
Tax: 0%



NICOTINE. HONEY. PRODUCTS
CO₂: 0%
Tax: 0%

1. Regulation of the alcohol market

This analysis confirms that:

- the production and circulation of alcohol within each country is sensitive both from an economic and political point of view;
- C differentiation of excise rates for various types of alcoholic products motivates consumers to purchase more affordable low-grade alcohol;
- It is important for the HRC that since 2012 the EEC has been working on harmonizing with all countries the Agreement “On the regulation of the alcohol market within the framework of the Eurasian Economic Union”. The document is aimed at regulating the entire range of legal relations between the authorized bodies and participants in the alcohol market, taking into account the application of the best regulatory practice. According to the draft Agreement, the main principles for regulating the activities of alcohol market participants are: inadmissibility of discrimination, restrictions on competition and transparency.
- It is also important for the HRC that in order to reduce the imbalance in excise rates on alcohol in the EAEU countries, another Agreement on the principles of conducting tax policy in the field of excise taxes on alcoholic products of the EAEU Member States is being developed.

2. Regulation of the motor transport market

Every year the number of cars in the world is growing at an ever faster pace. At the end of 2020, analysts counted 1.4 billion cars. At the same time, 95% of the total number of registered vehicles were cars.

According to a report from Deloitte, by 2030, every fourth car purchased will have an electric car. In order to support the electric vehicle market and create incentives for the formation of the necessary infrastructure, the EEC Council, by its decision dated March 16, 2020, zeroed out the import customs duty rate of the EAEU Common Customs Tariff for certain types of motor vehicles with electric motors (item 8703 80,000 2 of the TN VED of the EAEU).

The zero rate will be valid until January 1, 2024 and will apply to the import of electric vehicles into the EAEU by both legal entities and individuals. At the same time, the mass production of electric vehicles in the EAEU is just beginning to improve.

A distinctive feature of transport taxation in foreign practice is the inclusion of the tax in the cost of fuel, while in the EAEU countries the tax is levied mainly on the engine power of a car.

3. Regulation of the tobacco market

The EAEU countries are characterized by a relatively high level of consumption of tobacco products. At the same time, in terms of consumption, the Russian tobacco market occupies 84% of the entire EAEU market. Kazakhstan and Belarus are next in terms of consumption, their shares are 7% and 6%, respectively. Armenia and Kyrgyzstan occupy the smallest share in the total market: these countries account for 1% and 2%, respectively.

According to the WHO, among the EAEU countries, the population of the Republic of Kyrgyzstan is the least involved in smoking among adults (22%). Belarus, Kazakhstan and Armenia (at 27%, 29.8% and 28.3% respectively) are on par with the European Union in terms of smoking prevalence, where the proportion of the population that smokes is approximately 28%.

Economic costs of smoking traditional tobacco products



Expenses for the treatment of diseases associated with smoking, alcohol consumption



A decrease in labor productivity, leading to a decrease in the profitability of the company, and for the country - to a decrease in tax revenues, a decrease in the tax base



Fire damage and fire cleanup

Economic aspect of the problem (on the example of tobacco)

1. In Kazakhstan, the financial burden from NCDs averages 2.3 billion tenge annually, equivalent to 4.5% of the country's GDP WHO has established (forecast):
2. the benefits of anti-tobacco initiatives are reduced economic costs, which can amount to a total of 1.2 billion tenge over five years (only the lost contribution of the deceased to GDP is taken into account)
3. measures aimed at reducing tobacco in Kazakhstan provide a high return on investment - 45 tenge for every 1 tenge invested over a period of 15 years

Current regulation of tobacco products in Kazakhstan

- establishment of excise taxes on tobacco products, taking into account the adopted Agreement on the principles of conducting tax policy in the field of excises on tobacco products of the Member States of the Eurasian Economic Union
- prohibition of the sale of tobacco products to persons under 21 years of age, without appropriate labeling
- prohibition of sale in buildings and on the territories of healthcare organizations, education, sports and recreation, sports and sports and technical facilities, stadiums
- prohibition of smoking in public places and the establishment of specially equipped smoking areas
- a ban on the import, production, sale and distribution of smoking tobacco products that exceed the maximum allowable levels of nicotine and tar, as well as tobacco products for which sanitary and epidemiological requirements have not been established
- import ban manufacture, sale and distribution of smokeless tobacco products
- a ban on the production, sale and distribution of products imitating tobacco products.

Statistics for the EAEU countries on the circulation and taxation of tobacco products (TP)

Market share of tobacco products in the EAEU countries, in %

Russia	84
Kazakhstan	7
Belarus	6
Armenia	1
Kyrgyzstan	2

Share of adult smoking population in EAEU countries, in %

Russia	39,1
Kazakhstan	29,8
Belarus	27,0
Armenia	28,3
Kyrgyzstan	22,0

The specifics of the formation of excise taxes on TP

Kazakhstan, Kyrgyzstan	Excise on the number of cigarettes
Russia, Armenia	Excise on the number of cigarettes and the maximum retail price
Belarus	3 excise rates depending on the price category of cigarettes, including a low excise tax on cheap cigarettes

Within the framework of the EAEU Agreement on the principles of conducting tax policy in the field of excise taxes on tobacco products of the EAEU Member States - the introduction by 2024 of a single indicative rate of 35 euros per 1000 pieces with the right to deviate in "+" and "-" no more than 20%

Существующая налоговая политика в части ставок акцизов в 32-х странах мира, установлена с учетом преимуществ применения ИНТ и НСЖ

№	Country	Excise rate for a pack of cigarettes (EUR/20 pcs.)	The excise rate for INT in the equivalent of a pack of 20 cigarettes.	Deviation of excise rates on INT from excise rates on cigarettes, %	The rate of excise duty on the UA in the equivalent of a pack of cigarettes 20 pcs.	Deviation of excise rates on housing insurance from excise rates on cigarettes
Average value		2.69	0.76	69%	0.23	88%

The Harm Reduction Concept (HRC) in relation to tobacco products. Main conclusions

A health-saving society is directly related to the efficiency and success of the country's economy.

- Regulation of tobacco products – proportionate to the risk to human health
- Encouraging regulation of tobacco products
- Minimization of prohibitive measures and requirements
- Minimizing the harm of tobacco products themselves during their production
- Introduction of differentiation in the cost of excise duty on tobacco products
- Engaging non-governmental organizations (NGOs) to educate and educate smokers about alternative products with reduced risk potential

The Harm Reduction Concept in relation to tobacco products. The effect of the introduction of an integrated approach

In the period from 2019-2030, assuming an annual switch of smokers to ENDS (electronic nicotine delivery systems) of 5%, the positive economic effect will be

85.7 billion tenge or \$186.3 million

Import substitution by the EAEU countries of manufactured goods from third countries

Country	Name of goods associated with HRC	Average % of import substitution
Armenia	Alcoholic products	
Belarus	spare parts and accessories for tractors and vehicles for transporting 10 or more people, cars with an engine capacity of not more than 1500 cc	99
Kazakhstan	Mobile cranes and work trucks equipped with a crane	99
Kyrgyzstan		
Russia	Trucks and cars	

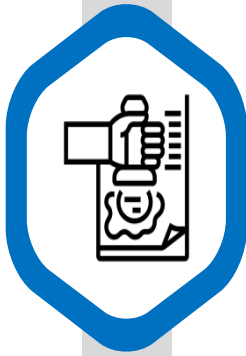
The results of the analysis carried out by the Eurasian Economic Commission (EEC) testify to the high potential for import substitution of the EAEU Member States for a significant range of industrial goods imported into the territory of the Union, as well as to the availability of competencies for localization of products with dominant imports from third countries on its territory

State regulatory policy of Kazakhstan



«Следующий вопрос – бизнес-климат. Эта сфера нуждается в реформах, поскольку регуляторная система по-прежнему остается громоздкой, даже карательной. Базовые принципы регуляторной политики должны быть изменены. Госрегулирование может быть оправдано только защитой здоровья граждан и экологии. Законодательно и на практике следует зафиксировать преобладание сущности над формой: здравый смысл и содержание могут превалировать над жесткими юридическими нормами. Трехлетний мораторий на проверки предоставляет хорошую возможность **внедрить такое регулирование «с чистого листа»**. Начать следует с наиболее коррупциогенных сфер: архитектурно-строительной деятельности, санэпиднадзора, ветеринарии, сертификации и других.»

*из Послания Главы государства
«Казakhstan в новой реальности: время действий»
1 сентября 2020*



REGULATION APPROACHES FROM SCRATCH"

- 1 IMPROVING THE BASIC PRINCIPLES
- 2 CONDITIONS FOR ESTABLISHING REQUIREMENTS
- 3 1 IN 2 OUT PRINCIPLE
- 4 INSTITUTE OF REGULATORY APPEALS
- 5 CONDITIONS OF THE PILOT PROJECT
- 6 REGISTER OF MANDATORY REQUIREMENTS
- 7 AUTOMATION OF BUSINESS REPORTING, RISK ANALYSIS IN CONTROL
- 8 IMPROVEMENT OF STATE CONTROL AND SUPERVISION

Improvement of basic principles



THE EFFICIENCY OF STATE REGULATION OF ENTREPRENEURSHIP IS ACHIEVED THROUGH:



Compliance with the conditions for establishing requirements

Inadmissibility of introducing unjustified regulatory requirements for business entities

Consistency and consistency of state regulation, continuity of earlier decisions

Increasing the state's confidence in business entities

introduction of personal liability of officials for causing damage to business entities



Will increase the confidence of business entities in the state and the effectiveness of the regulation of the business environment

Conditions for setting business requirements



ANY REQUIREMENT (REGULATION) THAT IS CURRENT AND INTRODUCED BY THE STATE MUST MEET THE FOLLOWING CONDITIONS



VALIDITY

regulatory instruments or requirements are introduced solely for the purpose of protecting the rights and legitimate interests of individuals and legal entities, human life and health, the environment, defense and security of the state

EQUALITY SPD

Inadmissibility of establishing different legal regimes and requirements

OPENNESS

Availability of information about the introduced (changed) regulatory instrument and (or) requirement, clarity of the motives for their introduction

ENFORCABILITY

feasibility of the introduced regulatory instrument

CLARITY

clear, accessible form that does not allow for ambiguity or ambiguity

СОРАЗМЕРНОСТЬ И РАЦИОНАЛЬНОСТЬ

Соответствие уровня воздействия государственного регулирования степени риска наступления неблагоприятных событий

CONSISTENCY AND PREDICTABILITY
Compliance of the introduced and (or) existing regulatory instruments and (or) requirements with the documents of the State Planning System in the Republic of Kazakhstan



It will help curb the growth of excessive requirements and eliminate inefficient ones.

Recommendations (2021)

1. Promotion and early adoption of the EAEU TR for nicotine-containing products (in the process of adoption)
2. Adoption of a unified within the EAEU Concept of harm reduction from sources of non-communicable diseases, including the consumption of tobacco products (work not started yet)
3. Formation of a unified tax policy of the EAEU in terms of a differentiated approach to the taxation of tobacco products - the excise tax on traditional cigarettes is higher than on science-based alternative products with a reduced risk potential (Law of the Republic of Kazakhstan dated April 1, 2021 No. 27-VII ZRK "On ratification of the Agreement on the principles of conducting tax policy in the field of excises on tobacco products of the Member States of the Eurasian Economic Union" was adopted)

Recommendations (2023)

1. Creation of an international network (coalition) of non-governmental organizations to promote the concept of harm reduction
2. Preparation of a joint appeal to the leadership of the EAEU on the adoption of a unified within the framework of the EAEU Concept for reducing harm from sources of non-communicable diseases
3. Implementation of the practice of assessing (analyzing) the regulatory impact on the regulatory legal acts adopted by the state through the prism of the HRC
4. Under the conditions of the global political and financial crises, maximum support for domestic production is required, taking into account the HRC.
5. Increasing the role of NGOs in this work. **Вовлечение в движение по принятию и реализации КСВ субъектов бизнеса.**

***THANK YOU FOR
ATTENTION!***