

SECTION III G:  
Public Sector Response in Improving  
Eco-efficiency Patterns and  
Reversing Unsustainable  
Consumption Trends in the Republic  
of Kazakhstan



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**Public Sector Response in Improving Eco-efficiency Patterns and Reversing Unsustainable Consumption Trends in the Republic of Kazakhstan**

**Ms. Sholpan Z. Tonbolatova**  
**Senior Expert**  
**Ministry of Economy and Budget Planning**  
**Republic of Kazakhstan**

The need to adopt and implement policy decisions and measures for environmental sustainability by the Government of the Republic of Kazakhstan today is defined by the provisions of the Constitution of the Republic, which outlines the basic rights of the citizens on a clean and healthy environment and wellbeing. Environmentally sustainable policy decisions are implemented through a number of administrative, economic and market mechanisms. And tolls, which are described in detail in this paper.

**The administrative approach** in enforcing the implementation of environmentally sustainable political decisions used in the Republic of Kazakhstan, which has a positive influence on relevant environmentally protective activities and measures that the polluting companies will undertake, include bans and restrictions on the admissible levels of waste generation, temporary restrictions of certain production processes in concurrence with corresponding regulations and standards, as well as direct monitoring and control, and issuing of decisions and permits for licensed use of natural resources.

**The economical approach** currently applied in the Republic is creating positive incentives for users of the environment for eco-efficient utilization of the natural resources, while also reducing pollution levels through the use of the “polluter-pays” principle of payment.

The main range of economic mechanisms currently in practice, include taxes and charges pollution emissions and natural resources usage, as well as ecological insurance and other economic incentives.

In accordance with the acting Law of the Republic of Kazakhstan “About the protection of the environment” various economic mechanisms for the protection of the environment, as well as methods for payment for usage, protection and pollution of natural resources are defined. Types of charges and their level and calculation ratio are set up by the acting tax and ecological laws of the Republic.

According to the Tax Law of the Republic of Kazakhstan, the following types of charges and taxes have been set up:

- land tax;
- special charges for the usage of natural resources;
- charges for pollution of the environment;
- charges for land use;
- charges for surface water resources usage;
- charges for use of animals and their habitats;
- charges for use of forests;

- charges for use of specially protected nature areas.

The system for setting up and the calculation of charges for the use of different types of natural resources are defined in several natural resources codes of the Republic, such as the Land code, Forest code, Water code, Law “About protection, reproduction and using of animal habitats” and “About resources and resource usage”.

One of the most prospective economical mechanisms with importance for providing ecological security to the citizens is the insurance for environmental risks. Users of natural resources with activities with harmful effects on the environment must insure their responsibility for possible accidents for a total amount equal to the estimated compensation for incurred losses. This allows the Government to secure the necessary funding for the liquidation of eventual consequences of accidents, and to increase considerably the level of environmental security. Environmental insurance will create an economical incentive for the insuring companies and insurers alike, while also decreasing the risk for accidents from environmental pollution. Insurers are going to be having the incentive to increase their environmental security, since the insurance installments with the higher probability of environmental. Moreover, to encourage the accident-free insurer, a number of economic incentives are provided, such as favorable conditions for renewal of the insurance policy, provision of additional funding resources for enhanced precautionary measures from the side of the insurer for related environmental safety activities. Additionally, the insuring company is also going to benefit from measures taken to decrease the ecological risk for which the company will have to undertake related precautionary measures, including environmental audit.

The legal basis for the introduction of the environmental insurance is embedded in the Law of the Republic of Kazakhstan on “The compulsory environmental insurance”, which defines the general conditions and manner for conducting environmental insurance in the Republic, however it is making it compulsory, especially for activities with high environmental security risks. The insurance coverage is comprehensive to cover the responsibility for environmental pollution accidents to provide life, health and property insurance physical and juridical persons to cover losses from environmental pollution accidents.

Compulsory ecological insurance guarantees relevant compensations for damages, caused by an environmental pollution accident from the activities of the insured, and creates preconditions for economical incentives stimulating preventive measures against accidental environmental damage.

In the recent years mechanism for implementation of environmentally sustainable political decisions, particularly such taking into account the laws and specificity of the market economy are gaining important momentum. Using market mechanisms in support of environmentally sustainable political decisions prescribes combined application of market laws to cater for both economic and environmental interests of the society.

***The application of market mechanisms*** for the implementation of environmentally sound political decisions is thought to be contributing to stable social economical development, while using natural resources within the carrying capacity of nature. From a purely economic point of view, market mechanisms ensure that producers can make returns from the production of goods and gain profit, while satisfying demands of the consumers based on free and mutually beneficial agreements and in the spirit of free competition.

In this regard, market mechanisms related to natural resources use are defined through the relationship between the society (users of natural resources) and nature itself, which ideally will be based on the principles and regulatory functions of the market with the objective to preserve and regenerate one of the most important elements of the production cycle - nature and its ecosystem

elements.

One of the main functions of a market economy is believed to be the creation of economic incentives to increase the eco-efficiency of production, as well as to stimulate producers to produce goods with minimum resources and waste, while allowing them to maximize their returns. One of the main laws of the market economy is *minimize resources/expenses, maximize returns*. However, currently this principle has been seriously distorted by the unregulated and in-efficient use of natural resources beyond their regeneration potential. Today to restore the natural balance and create opportunities for regeneration there is need for conscientious efforts of the society. For that purpose, a number of legal, regulatory, institutional, economic and market mechanisms are being used to regulate the balance between natural regeneration and the needs of the society.

One of the most vivid examples for application of the market approach is the “flexible mechanisms” of the Kyoto Protocol to United Nations Framework Convention on Climate Change (UNFCCC).

The Kyoto Protocol defines the actions for the implementation of the UNFCCC and fixes quantitative obligations for the developed countries and countries with economies in transition for decreasing and elimination of their greenhouse gas emissions.

The “flexible mechanisms” of the Kyoto Protocol are creating an opportunity for trading with permits for greenhouse gas emission and units of emission reduction from one country to another with the help of market instruments. Using these instruments, the Kyoto Protocol will raise the efficiency of economic policies through investments in prospective economic sectors, transfer of environmentally sound technologies, which also increase the energy-efficiency of the production process. The “flexible mechanisms” include joint implementation with permission quota, the clean development mechanism and emission trading.

**Joint implementation of projects for greenhouse gas emission reduction with permission quotas** is possible only between Article I countries.

Joint implementation of projects allows developed countries achieve greenhouse gas emissions reduction through investments in countries with lower level of technological development. Additionally, the investing and accepting Annex I countries can share the units of reduced emissions as a result of the project.

**The Clean Development Mechanism (CDM)** is supporting the implementation of projects for greenhouse gas emission reduction in non-Annex I countries, not incoming in Application 1 with the objective to achieve certified emission reduction (CER). Permits received as a result of green house emission reduction projects are acquired only by the investor. As a result of the CDM developing countries can benefit from the transfer of modern environmentally sound technologies, which reduce the GHG emission and allow them to achieve environmentally sustainable economic growth.

**Trading with GHG emission permits** is possible only for Annex I countries. Each country can reduce its GHG emissions through national investments and to sell its emission reduction certificates. GHG emissions trading will create opportunities for the countries to collaborate and will increase the flow of capital and technologies in the countries which needs such opportunities.

Environmental economics ensures the improvement of the ecological and economic efficiency of the socio-economic development. In this area the regulation of economic activities remains the prerogative of the government, which ensures the preservation of the ecological potential of the economy and which requires legally binding environmental restrictions in all sectors of the economy, as well as incentives and favorable policies supporting the introduction of environmentally sound and resource efficient technologies..

Regulation and planning of the interaction between the society and nature is not possible without relevant legal and financial assistance.

To strengthen **the legal basis** an Environmental code to systematize all the environmental standards and to strengthen the environmental protection is being developed.

The **financial support** for the development and implementation of environmental policy from the budget of the Republic is increasing.

In agreement with the concept for Environmental security and National Strategy of Industrial Innovation and Development, 2003-2015 of the Republic of Kazakhstan, one of the most important factors for the long-term sustainable socio-economic development is the environmental potential and resources of the country.

Related to that, the government is focusing its efforts on the implementation of measures for the reduction and elimination of pollution and damage to the natural resources, regeneration and protection of threatened species of the fauna and flora, as well as on the carrying capacity of the environment.