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THE PROBLEMS OF INVESTMENTS AND ENVIRONMENT IN MINING SECTOR OF REPUBLIC OF KAZAKHSTAN

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In the new millennium the world stands before the person of serious problems and opportunities requiring strengthening of the international cooperation and global decisions. Technological progress and activation of economic activity have resulted to unprecedented changes in the world. The needs connected to the decision of sharp social problems, much more exceed opportunities of any separate state, and these problems can be effectively decided only on a regional and global level. In this connection, the cooperation of the countries in a direction of coordination of joint efforts in the field of sustainable development becomes one of major aim.

The Republic of Kazakhstan signing the documents of UNCED in the Rio de Janeiro in 1992, adopted the obligations to implement the objectives, indicated in Agenda to XXI century¹. The country is an active participant of the process "Environment for Europe", "Environment and sustainable development in Asia", takes part in the preparation of the Regional Central Asian Environmental Action Plan and realization of the measures, highlighted by the National Environmental Action Plan, supports the begun process of preparation Central-Asian Strategy of Sustainable Development (Subregional Agenda-21 for Asia". This activity is carried out by supporting of the Ministry of Natural Resources and Environment Protection of the Republic of Kazakhstan and the Regional Environmental Centre for Central Asia (CA REC).

In the Republic of Kazakhstan concerning to group of the transit countries, transmitting from administrative-command system to the market in the last years are observed the tendencies of economic stabilization expressing in

growth of rates of volumes of manufacture, decrease of a rate of unemployment, growth of volumes of attraction of the foreign capital.

In conditions of deficiency of internal investment resources the special meaning for republic has got attraction of the foreign investments. Therefore the policy of the Government of the Republic of Kazakhstan in sphere of investment activity was, basically, is focused on attraction of the foreign capital and creation for this complex of the stimulating factors. In Kazakhstan are created of a institutional basis of investment, namely the infrastructure of the market of valuable papers is generated, the Decree of the President creates the uniform authorized body - Agency of the Republic of Kazakhstan for investments, the Counsel of the foreign investors is created by the President of Republic of Kazakhstan. The legislative and normative base of activity of the investors is developed, the Laws "About the foreign investments", "About state support of the direct investments", Decrees of the President of the Republic of Kazakhstan "About the statement of the List of priority sectors of economy of the Republic of Kazakhstan for attraction of the direct domestic and foreign investments" and "About the statement of a Rule about system of privileges and preferences and order of their granting are accepted at the conclusion of the contracts with the investors ". All of them provide guarantees on protection of the investments and state support in the form of granting of privileges and preferences. By the international legal experts these acts are recognized as most liberal in comparison with the similar acts of the countries of CIS and East Europe. Kazakhstan makes a lot of the intergovernmental agreements about encouragement and mutual protection of the investments. As a whole for today the investment activity in Republic of Kazakhstan is adjusted more than 30 legislative and normative /4/.

The accepted acts and organizational measures promoted strengthening of investment appeal of the country and, accordingly, inflow of the foreign investments in the Kazakhstan economy. For today of Kazakhstan is one of the leaders among the countries with transitive economy on attraction of the direct foreign investments on one inhabitant.

The list of priority sectors of economy of Republic of Kazakhstan for attraction of the direct domestic and foreign investments includes:

- Industrial infrastructure;
- Manufacturing industry;
- Objects of Astana city;
- Habitation, objects of social sphere and tourism;
- Agriculture.

The distribution and use of the state investments is made by means of formation of the Program of the state investments (PSI), developed on three year: first - 1996-98 years., second - 1999-2001 years. And third - 2002-2004 years. The basic sources of financing of the programs of the state investments

are the loans of the international financial and economic organizations, and also loans of governments of the countries - donors.

According to the data of Agency of the Republic of Kazakhstan on statistics as a whole on the country the reduction of the investments in a fixed capital proceeded till 1996. Since 1990 to this time they have decreased in 9 times. For the period with 1995 on 1999 years. By economy of Kazakhstan is mastered 7109,8 mln. dollars. USA of the direct foreign investments, from them per 1999 1578,9 mln. dollars USA. The rates of increase on years make of the order 14-15%. In the first half-year 2000 Γ the growth of the investments in comparison with the appropriate period 1999 Γ has made 29%.

On kinds of economic activity greatest volume of the investments in a fixed capital in 1999 Γ is necessary on mining and processing industries (46,5 % and 12,6 % accordingly). In 2000 Γ of a means of the foreign investors 43 % from total volume of the investments in a fixed capital of an industry have made of the order. 59 % from their general volume is directed on development of a mining industry, 11 % - processing and 8 % on development of transport and communication.

The most active countries by the donors of Kazakhstan are by USA - 36,3 %, Great Britain - 19 % and Italy - 17,6%. Most attractive for the foreign donors still has base branches. In 1999 of receipt of the direct investments in the oil and gas branch is made - by 78,8 % from total volume of the investments, in non ferrous metallurgy and power - on 3,2%. During 2001-2005 years. The basic directions of activity will be stimulation of inflow of the direct domestic and foreign investments in priorities sectors of economy, rationalization and increase of efficiency of use of the state investments and mobilization of the internal savings. One of the basic tasks for the forthcoming period is the creation of equal conditions for the foreign and domestic investors. A first step in this direction is the creation of the uniform law in sphere of investment activity. The mineral-raw complex plays especially important role in economy of Kazakhstan. On its base are created the oil and gas production and coal industry, industry of production and processing of ores of black, non ferrous, rare and noble metals, various kinds of unmetallurgical minerals. The significant place in the mineral-raw complex occupies the mining and metallurgical industry. Last years the densities of volume of MMC production from all industrial production makes 23-25 %, including the share of non-ferrous metallurgy makes 10-13%. The volumes of copper manufacture in 2003 Γ achieve 402,3 thousands tons.

It is possible to judge a role of a mining industry in economy of the Republic of Kazakhstan on the data of table 1 /1/. In structure of production of branch the approximately 47 % are necessary on lead-zinc, 30- on copper, approximately 8 on aluminium and 13 % - other kinds of production. Now mining-metallurgical complex of Kazakhstan with complex(difficult) conditions of development of deposits both out-of-date process equipment and technologies

metallurgical re-partition lags behind in the development because of a high level energy expenses, labour input and material capacity of manufacture.

Share of separate branches in industry of Kazakhstan

Table 1

Industries	1999 Γ	2000 Γ	2000 Γ
Mining industry	34,6	43,7	53,9
Production of materials for power	30,4	40,3	51,1
Coal and lignite production	1,9	2,4	2
Production of crude petroleum and passing gas	25,9	35,8	46
Production of natural gas	2,1	1,7	2,6
Manufacturing industry	51,9	44,9	37,6
Processing of agricultural products	16,6	13,4	11,2
Textile and sewing industry	1,6	1,1	0,9
Manufacture of coke, distillation of petroleum, manufacture and processing of nuclear materials	4,6	5,1	5,2
Chemical industry	1,2	0,9	1
Manufacture of rubber and plastic products	0,2	0,2	0,2
Iron and steel industry and processing of metals	23,0	19,9	15,8
Mechanical engineering	2,4	2,7	1,9
Manufacture and distribution of the electric power, gas and water	13,5	11,4	8,8

Within the framework of carried out by Government of Republic of the Program and Plan of actions on a deepening of reforms since 1994-96 years in branch practically majority of the enterprises of the mining-metallurgical complex was transferred under management to the foreign and domestic companies. For the period 2000-2005 years the Government accepts the Program of the further development of the mining-metallurgical complex, which, first of all, is directed on creation of competitive branch having a powerful export potential and ensuring its statement in the world market. It is directed on increase of volumes of production of non-ferrous and ferrous metallurgy in view of requirement of the world market, market of Commonwealth of the Independent States and internal consumption. In 2000 the index of physical volume in comparison with a level of 1999 has made 168 % on commodity iron ore, 115,8 - on steel hire, on white tin - 184 %, 130,8 - on

galvanized hire, 109,2 - on ferriferous, 105,1 - on alumina, 130,7 - on raffinated lead, 105,6 - on zinc metal and 109,1 - on catode copper. In 2001 and till 2005 of the enterprise of the mining-metallurgical complex are aimed at development export oriented and of import substitution manufactures. The strategy of development of the mining-metallurgical complex is determined by a general level of a condition of branch and in the whole national economy, prospects of support of the domestic and foreign capital, conjuncture of the world market, by internal consumption of production of the enterprises and is directed on creation of competitive branch having a powerful export potential and ensuring its statement in the world market.

According the Program , developed by Government of Kazakhstan , now, enterprises of the mining-metallurgical complex will carry out work on modernization of a fixed capital, are created import substitution and also new science capacious manufacture on output of high commodity readiness.

Dynamics of the investments in the mineral-raw complex for last 5 years is submitted in figure 1 /3/.

Dynamics of the investments in minerals-raw complex of Kazakhstan, mln.dollars USA

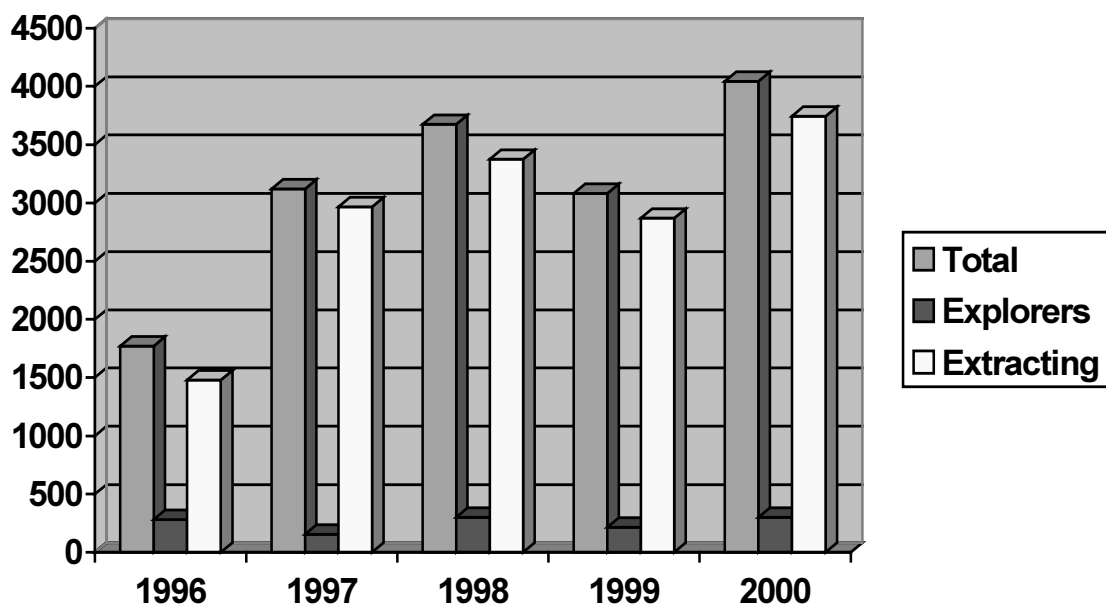


Fig.1.

The structure of the investments on kinds of economic activity for the first half-year of 2001 is reflected in table 2 /2/. Total volume of the investments for this period has made more than 250 mlrd.tenge from which only 17,16 % it is necessary on the investment in financial actives. From total volume of the

investments in non-financial actives more than 96,24 % is necessary on an industry.

**Structure of the investments on kinds of economic activity
(January - June 2001г. In thousands tenge)**

Table 2

Kinds of activity	Financial investments	Investment in unfinancial actives
In total	36752402	214187758
Including:		
Agriculture, hunt and forestry	158356	244224
Fishery and fish hatchery	138	-
Industry	34637257	206142216
Mining industry	7683215	186246616
Manufacturing industry	25483520	17464008
Manufacture and distribution of the electric power, gas and water	1470522	2431592
Construction	-192058	1706976
Trade, repair of automobiles and products of home usage	148382	410793
Hotels and restaurants	115	33469
Transport and communication	1633351	977129
Financial activity	776254	524101
Operations with immovable property, rent and services to the enterprises	-551992	3708157
State management	283106	12848
Education	-18497	104588
Public health services and social services	16997	108913
Other municipal, social and personal services	-139007	214344

The list of the basic sources of financing of the investments in unfinancial actives on the enterprises and organizations of all patterns of ownership is submitted in table 3 /2/. As it is visible from the table, 92,57 % are necessary on the foreign investments and all about 5 % on domestic banks of the second level. The share of the state in the investments on an industry is at a level less than 1%.

The attracted sources of financing of the investments in unfinancial actives

Table 3

Sources	Thousands tenge	%
Total volume of the attracted means	73943610	100
The republican budget	207347	0,28
The local budget	9791	0,013
The credits of banks (residents)	3662835	4,95
Foreign means (non residents)	68450317	92,57
Extra means of other organizations	502251	0,68
Other sources	1111069	1,5

The areas of investment in unfinancial actives on kinds of economic activity are submitted in table 4 /2/. As it is visible from the table, volume of the investments in the enterprises of mining branch in the first half-year was at a level 20,3 % from total volume of the investments come on the mineral using enterprises in Kazakhstan. The investments in overwhelming majority (more than 86 %) they are directed to a material fixed capital, i.e. on technical reequipment, purchase of the ground areas, investigation of minerals and т.д.. The share of the investments in other industrial actives makes about 14 % and in non-productive actives only 0,02%. On prognosis accounts, the growth of the investments in a fixed capital in real expression will make from 10 up to 22 % per one year with achievement in 2005 of a gain on 118,5 % in comparison with 2001.

At the same time irrational and excessive use, and also the export of natural resources results to degradation natural of ecosystems. Aging of the equipment, reduction of expenses on natural protection activity, the adverse structural shifts in economy in a direction of strengthening it nature capacity, instead of science capacity have resulted to growth of negative influence on an environment. In Kazakhstan is extracted and 50 tons of natural raw material per one year are processed on soul of the population more than, from them 95 % goes to waste. It is highest on a planet technique in genesis loadings. The contents 1 т waste manages to the country 0,85 \$, the damage from industrial wastes is estimated in 13,6 mlrd. \$. On the data Ministry of natural resources and environment protection of the Republic of Kazakhstan the economic damage from pollution of an environment makes 15-20 % of BBП. At the same time there are lowest among the countries of Eurasia state charges on protection of an environment - less than 1 % from GDP (fig.2).

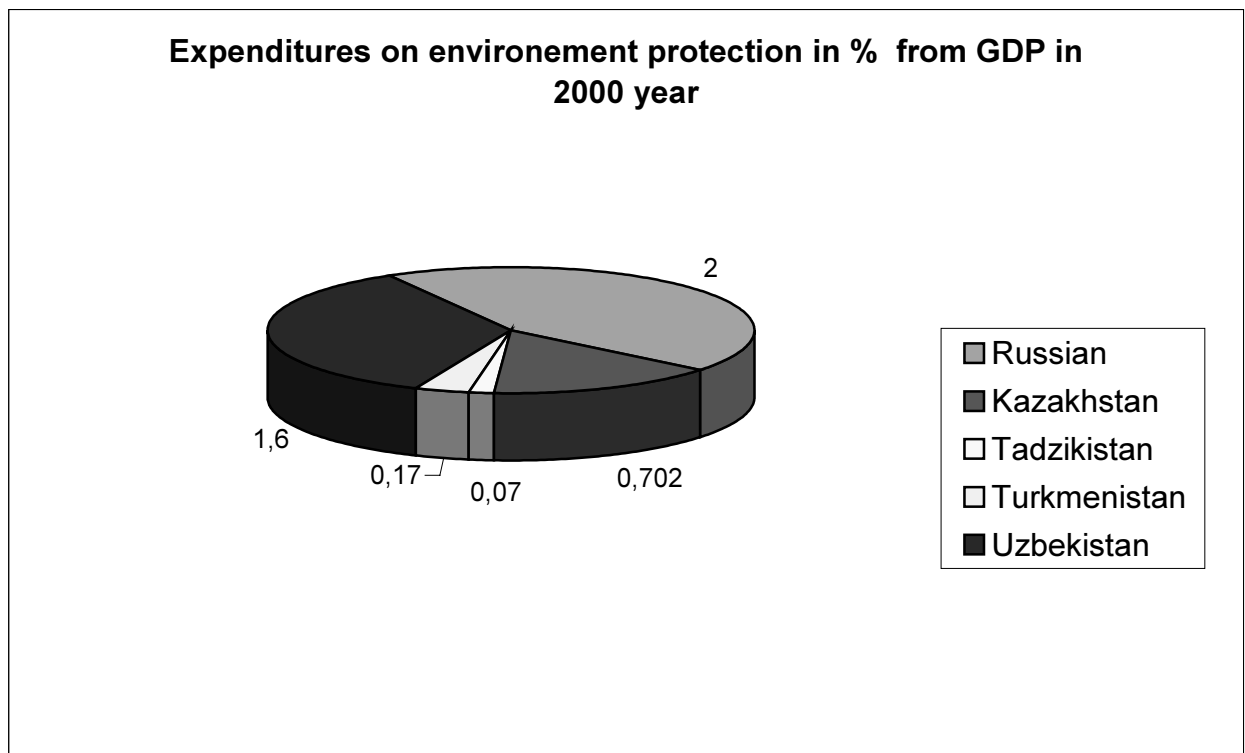


Fig.2.

As mentioned in Agenda –21 " it is necessary to carry out in view of concrete conditions, reform in economic policy , which would promote effective planning and use of resources for steady development by realization of the important measures both programs in economic and social areas, promoted development of business and account of social and ecological expenses in resource price formation".

The analysis of the tendency of attraction of the direct investments in economy of republic testifies, that in the forthcoming fifth anniversary in branch structure of the investments the priorities will be kept for oil and gas and metallurgical industries. The high antropogeneous influence of the industrial enterprises on an environment demands new industrial and scientific and technical policy, stimulation ecologically safe, of low waste and resources saving technologies. The transition to market economy, change of patterns of ownership demands observance of the widely widespread all over the world principle "soiling pays". In Kazakhstan the basic weight of ecological damage lays on the population, while in the advanced countries more than half of natural protection expenses are covered by the private investments. In the decision of this question the attraction of means of private business and bank sectors is represented to urgent introduction of obligatory ecological insurance, stimulation of prevention of damages to an environment, health of the population and economy.

The absence of provision of economic incentives of natural protection activity is a key condition for the beginning of process on improvement of

territories of Kazakhstan. Application of economic tools, such as ecological taxes, ecological payments, the introduction of tax privileges on ecological activity connected with resources saving, waste utilization brings threefold benefit: reduction of pollution, creation of workplaces, deduction in the budget and economy of resources. It is necessary also to pass to ecologically acceptable price formation, stimulating the prices taking into account ecological costs of consumption of raw material, natural resources.

In the decision of these questions the large importance has the international cooperation, attraction of the external help and foreign capital. We believe, that activization of activity of the international structures, such as the World Bank, UNEP, OECD will bring the within one's powers contribution in the decision of ecological problems of Kazakhstan as now development of ecological spheres gets the strategic meaning and can by an essential image affect development of economy in all Central-Asiatic region in new millennium.

**THE INVESTMENTS OF THE MINERALS USING ENTERPRISES OF THE REPUBLIC OF KAZAKHSTAN
ON KINDS OF ECONOMIC ACTIVITY
(January-June 2001 year in thousands tenge)**

Table 4

	In unfinancial actives	Including:					
		In a fixed capital	From them:		In other industrial actives	In non-productive material actives	In non-productive non-material actives
			Material	Non-material			
In total	214187758	184697998	184198539	499459	29442529	25424	21807
Coal and lignite production, development of peat	10612256	10947879	10945537	2342	-336256	197	436
Production of crude petroleum and natural gas, service in this area	170681436	150560065	150099022	461043	20120793	536	42
Production of uranium ore	4322157	1645253	1637947	7306	2670665	-	6239
Production of metal ores	18604124	13676691	13658182	18502	4892572	22776	12085
From them: iron ore	2104840	2121820	2119619	2201	-39889	22700	209
non-ferrous metals	16499284	11554871	115385	16308	4932461	76	11876
Other branches of a mining industry	9967785	7868110	7857851	10259	2094755	1915	3005

THE LITERATURE

1. Item of information on the investments of the enterprises – depths users of mineral raw material in Republic of Kazakhstan (January - June, 2001) / Agency of Republic of Kazakhstan on statistics, series 8, Investments.-65p.
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