



Economic Newsletter on Kazakhstan

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The Economic Section of the Embassy of the Kingdom of the Netherlands in Kazakhstan intends to distribute this newsletter as widely as possible among Dutch institutions, companies and persons from the Netherlands. The newsletter summarises economic news from various Kazakhstani and foreign publications and aims to provide accurate information. However, the Embassy cannot be held responsible for any mistakes or omissions in the bulletin.

SEASON'S GREETINGS

The Embassy of the Kingdom of the Netherlands would like to wish all its readers a Wonderful Christmas time and a Happy New Year. Thank you for being with us this year and we look forward to seeing you among our readers again in 2017.



MACRO-ECONOMICS & FINANCE

Kazakhstan could reach 1% GDP by year end

Kazakhstan's GDP expanded 0.8% over the first 11 months of 2016, Prime Minister Bakytzhan Sagintayev told the government session he chaired.

"Currently, we have used all the reserves. We talked with the akims and the heads of the companies. We could achieve 1% growth by the end of this year, so we must make every effort to make this happen," Sagintayev said.

Today's session discussed socio-economic development and budget execution for the first 11 months of 2016, Akipress reports.

EBRD experts forecast 14.2% inflation in 2016 in Kazakhstan

Inflation will make 14.2% in Kazakhstan in 2016, said Nino Shanshiashvili, economic expert of the European Bank of Reconstruction and Development.

"The inflation level will make 14.2% in 2016. In 2017 we hope it will get back to the prognosis of the National Bank - 6-8%. It is important for the Government to continue the reforms to improve productivity and business environment in the state," she said.

In her words, "the economic growth drivers are the state investments". "We expect the oil prices to increase and to see serious investments from China in the road infrastructure," she said.

In her words, "production rehabilitation at Kashagan will make impact on productivity".

"If production grows up to 300 000 barrels a day it will provide GDP growth to 5%," she said, according to KazTAG.

EBRD plans to extend loan facilities of up to 900 million euro in Kazakhstan by the end of the current year, EBRD Country Director for Kazakhstan Janet Heckman said.

New stock exchange to be launched in Kazakhstan in 2017

On September 1, 2017 a new high-tech stock exchange will begin its work in Kazakhstan. This was stated by Governor of Astana International Financial Centre (AIFC) Kairat Kelimbetov, Kazinform correspondent reports.

“On September 1, 2017 a new high-tech stock exchange will begin its work. Together with Astana Innovation and the Ministry of Information and Communications, certain platforms will be developed based on new approaches, the so-called “Blockchains”. The most important thing is that Samruk-Kazyna will be privatized through this stock exchange. Samruk-Kazyna ensures almost 40% of Kazakhstan’s GDP. Also next year a new independent financial court and arbitration center will be created, they can possibly become judiciary centers of the entire Post-Soviet region since it will be the first time when we are going to start using English common law. This will all begin to work January 1, 2018”, said Kairat Kelimbetov at ASTEX Astana Smart City exhibition.

“There is an order from the President to create an international financial center based on EXPO. And starting July 1, 2017 we are planning to begin the registration of membership in AIFC. Members of the AIFC will enjoy unprecedented benefits, such as simplified visa and work regimes, tax exemptions for 50 years, in case if they specialize in access to capital markets, asset management, Islamic financing and new financial technologies,” added the speaker, according to Kazinform.

Kazakhstan eyes London and Hong Kong for IPOs

Kazakhstan is throwing the London and Hong Kong stock exchanges into competition with each other to host the share flotations of the central Asian nation’s largest companies, including Air Astana, the national airline, and KazMunaiGas, the state-owned oil and gas company.

The privatization drive is part of a plan to transform Kazakhstan from a state-dominated post-Soviet republic into a modern market economy driven by private enterprise. The aim is to cut the level of state-ownership in industry from the current level of about 70% to 15% after the privatization program is completed in about 2021, officials said.

The proposed share offerings involve five companies with an estimated book value of up to \$6.5 billion, but Astana is unsure whether it will choose Hong Kong, London or elsewhere as the venue for the listings, which could start in 2017, according to Dauren Tasmagambetov, a director at Samruk-Kazyna, the national wealth fund.

“Potentially it is possible that all five listings will be outside Kazakhstan,” Tasmagambetov said in an interview with the Financial Times. “In the case of KazMunaiGas there is a sense that this should be a dual listing (in Kazakhstan) and somewhere else. We are planning to conduct a number of (marketing) events next year, one in London and the same event in Hong Kong.”

Asked whether London or Hong Kong was likely to become the preferred destination, Tasmagambetov said, “Let’s see what our independent advisers recommend.”

One of the first companies slated to launch an initial public offering is Air Astana, which is 51% owned by Samruk and 49% by BAE Systems, Europe’s largest defence contractor. The IPO is likely to involve the sale of a minority share because of Samruk’s plans to keep a minimum stake of 26% in the company, said Mr Tasmagambetov, who heads Samruk’s assets privatization and restructuring department.

Kazakhstan’s government had originally hoped to float its leading companies on a stock market in the Astana International Financial Center (AIFC), which is touted as a future Dubai-style enclave run according to English law and furnished with an independent court. However, the AIFC is not likely to be up and running until 2018 at the earliest, meaning it may not be in time to catch the country’s first big share offerings.

“If the AIFC is not ready, then we will definitely not do the listing (in Kazakhstan),” said Tasmagambetov.

“Aside from Air Astana and KazMunaiGas, the three other state-owned companies slated for share offerings are Kazakhstan Temir Zholy, the national rail company, Tau-Ken

Samruk, the national mining company, and Samruk Energy, an electricity utility, Tasmagambetov said. "These listings are scheduled to be completed by 2021, and may be followed by others."

In advance of its planned listing Samruk Energy is set to sell off majority stakes in four subsidiaries including a power plant and electricity distribution companies. Tenders for the four stakes open in January, according to the Financial Times.

BANKING

Kazakhstan's gold, forex reserves up

In November 2016 Kazakhstan's gold and foreign exchange reserves totaled \$29.8 billion, Kazinform correspondent reports.

"According to preliminary data, gold and foreign exchange reserves of the National Bank amounted to \$29.8 billion as of December 1," Chairman of the bank Daniyar Akishev said at a press conference.

In his words, the reserves decreased in November due to closing out of currency swaps with the banks (\$700 million in November and \$4.8 billion since the onset of the year) and lower gold prices.

"However, gold and foreign exchange reserves increased for \$2 billion since the beginning of the year," Akishev noted.

Total sum of Kazakhstan's international reserves, including the assets of the National Fund to the amount of \$61 billion, reached \$91 billion or nearly 70% of GDP, according to Kazinform.

Kazakh banks boost lending in tenge

Kazakh banks increased their loans in the national currency, the tenge by 1.5% to 8.54 trillion tenge in October 2016, Kazakh National Bank reported December 7.

The volume of loans in foreign currency decreased by 0.9% to 4.23 billion tenge in the reporting period.

The share of loans in tenge increased from 66.4% to 66.9% in October.

In total Kazakh banks issued 12.77 trillion tenge of loans in tenge and foreign currency in October, which is 0.7% more than in the previous month.

Issuance of long-term loans increased by 0.6% to 10.54 trillion tenge, short-term loans – by 0.8% to 2.23 trillion tenge in the reporting period.

Loans to legal entities increased by 1.1% to 8.72 trillion tenge, while loans to individuals decreased by 0.3% to 4.05 trillion tenge in October.

Lending to small businesses increased by 3.6% to 2.9 trillion tenge in October, which is 22.7% of all loans to economy.

As much as 21.3% of all the loans to the economy were provided to trade sector, 13.7% to industry, 8% to construction, 5.4% to agriculture and 4.2% to transport sector, Trend reports.

ENERGY & NATURAL RESOURCES

OPEC, other major producers reach output deal

Much of the cut is expected to come from Russia, which has already pledged to provide half the non-OPEC cuts.

The Organization of the Petroleum Exporting Countries (OPEC) has reached a deal with Russia and other major producers outside the cartel to reduce global oil production.

OPEC President Muhammad al-Sada said 11 non-OPEC countries agreed to cut their output by 558,000 barrels per day.

"I am happy to announce that a historic agreement has been reached," Sada said after a meeting of oil producers at OPEC headquarters in Vienna on December 10.

The 11 non-OPEC countries taking part in the agreement are Russia, Azerbaijan, Kazakhstan, Bahrain, Brunei, Equatorial Guinea, Malaysia, Mexico, Oman, Sudan, and South Sudan.

The December 10 deal came after OPEC members on November 30 agreed to cut their own production by 1.2 million barrels a day.

The 558,000 barrels per day cut was lower than the target of 600,000 that the cartel had envisioned for non-OPEC countries.

Earlier, OPEC Secretary-General Mohammed Barkindo said he was optimistic about reaching an agreement to cut 600,000 barrels "or even more maybe."

Much of cut will come from Russia, which has already pledged to provide half the non-OPEC cuts.

"This agreement cements and prepares us for long-term cooperation," Saudi Energy Minister Khalid al-Falih told reporters after the meeting, calling the deal "historic."

Russian Energy Minister Aleksandr Novak told the same news conference, "Today's deal will speed up the oil market stabilization, reduce volatility and attract new investments."

The agreement between OPEC and non-OPEC producers is their first deal since 2001 to reduce oil output together.

Oil prices have risen to more than \$50 a barrel after OPEC agreed to cut their production last month, RFE/RL reports.

Kazakhstan vows to slash oil production

Kazakhstan agreed to cut oil output to 1.68 million barrels per day at the meeting of OPEC and non-OPEC oil producers in Vienna, Austria on December 10, Kazinform learnt from the press service of the Energy Ministry.

"As per the Agreement, OPEC countries will cut oil production from October 2016 level. As for Kazakhstan, it will slash the output from the November level. In November, Kazakhstan produced 1.7 million barrels per day thanks to the launch of the Kashagan oilfield. So, Kazakhstan agreed to cut the oil production by 20,000 barrels from the November level. In next six months Kazakhstan needs to maintain the average monthly output at the level of 1.68 million barrels per day," a ministry's statement said.

According to the ministry, Russia agreed to cut the output by 300,000 barrels per day, Mexico - by 100,000 barrels per day, Azerbaijan - by 30,000 barrels per day, Malaysia - by 20,000 barrels per day and so on.

"In order to cut the output by 20,000 barrels per day, we will slash oil production at oilfields in Aktobe, Kyzylorda and Mangistau regions. Oil output cut won't affect such big fields as Kashagan, Tengiz and Karachaganak," the ministry explained.

Earlier it was reported that OPEC countries agreed to reduce production by 1.2 million barrels a day to the level of 32.5 million barrels starting from January 2017 at the meeting in Vienna. Non-OPEC countries are to cut output by more than 550,000 barrels a day.

KazMunaiGas Exploration Production expects oil to hit \$45 in 2017

KazMunaiGas Exploration Production (KMG EP), one of three the largest oil production companies in Kazakhstan, has approved the company's 2017 budget and 2017-2021 business plan, the company reported December 21.

The budget for 2017 assumes a Brent price of \$45 per barrel and an exchange rate of 360 tenge per US dollar.

The company expects free cash flows to be positive in the 2017-2021 period, in contrast to the business plan for 2016-2020, as a result of the independent crude oil processing scheme and the reduced volume of domestic oil supplies, as well as changed assumptions on the price of Brent and the exchange rate of tenge per dollar, partially offset by increased capital expenditures.

KMG EP capital expenditure in 2017 is planned at 119 billion tenge (\$330 million), 15% higher than the expected one for 2016. The increase is mainly due to investment in fixed assets (primarily oilfield equipment and machinery) and higher expenditures on

production and exploration drilling, partially offset by lower expenditures on construction and modernization of production facilities.

The increase in expenditures on production drilling is due to the higher cost of drilling per well at OzenMunaiGas (KMG EP's subsidiary), partly offset by a decline in drilling activity.

The company expects to drill 191 wells in 2017 compared to 249 wells in 2016.

Annual average capital expenditure in 2018-2021 is expected to be around 100 billion tenge (\$279 million).

KMG EP is among the top three Kazakh oil producers. The overall production in 2015 was 12.4 million tons of oil, including the company's shares in joint ventures, Trend reports.

Kazakhstan officially presents Kashagan

Kazakhstan's huge oil field Kashagan was officially presented on December 7, Kazakh Energy Ministry said.

Kazakh President Nursultan Nazarbayev took part in the event. Oil production at Kashagan was launched in autumn 2016 and reached commercial level of 75,000 barrels per day on 1 November 2016. Currently, work is carried out in order to increase the level of production to 180,000 barrels per day, the ministry said.

It is expected to produce up to 1 million tons of oil and 680 million cubic meters of gas by the end of 2016, according to the ministry.

In 2017, oil production at Kashagan is expected to increase to 8.9 million tons of oil and 5.6 billion cubic meters of gas per year. In subsequent years it is planned to boost the production to 13 million tons of oil and 9 billion cubic meters of gas per year, the ministry said.

Kashagan is a large oil and gas field in Kazakhstan, located in the north of the Caspian Sea. Its recoverable oil reserves amount to 9-13 billion barrels.

The project participants are KMG Kashagan BV (16.88%), AGIP Caspian Sea BV (nearly 16.81%), CNPC Kazakhstan BV (8.33%), Exxon Mobil Kazakhstan Inc. (nearly 16.81%), INPEX North Caspian Sea Ltd. (nearly 16.81%), Shell Kazakhstan Development BV (nearly 16.81%), and Total E&P Kazakhstan (nearly 16.81%).

The field is operated by North Caspian Operating Company BV (NCOC), according to Oil & Gas Eurasia.

Kashagan ships more than 500,000 tons of oil to world market

Kazakh President Nursultan Nazarbayev held a teleconference December 7 devoted to the beginning of commercial oil production at the Kashagan field.

The meeting of the oil and gas companies' leaders with the head-of-state was devoted to celebrating the 25th anniversary of Kazakhstan's independence.

Energy Minister Kanat Bozumbayev reported on the development of the oil and gas industry and current state of the Kashagan field development.

The field's oil production and transportation facilities then connected to the call.

The pipeline has already transported more 500,000 tons of Kashagan oil, said Caspian Pipeline Consortium (CPC) Regional Manager Sarsembai Murinov.

He noted it is considered to be one of the best oil pipeline projects in the world.

"At this moment offshore in the Black Sea at the marine terminal of Caspian Pipeline Consortium, a tanker operated by Kazmortransflot with deadweight of 115,000 tons is being loaded with Kazakhstan-origin oil," said Murinov.

The CPC marine terminal was connected to the teleconference and its main control centre shown on monitors. All the participants were able to watch the loading process of the tanker which will transport Kazakh crude oil to the world market.

The pipeline system is one of the largest energy industry investment projects in the Commonwealth of Independent States (CIS) completed with the participation of foreign capital. The length of the pipeline connecting oil fields in Kazakhstan's western regions, including primarily Tengiz, with the marine terminal near Novorossiysk reaches 1,511

kilometers. The marine terminal allows safe tanker lifting at a considerable distance from the shore, even in unfavorable weather conditions.

"I have extremely good impressions about the event with the participation of President Nazarbayev. Everything passed in a celebratory atmosphere in keeping with the importance of the event celebrated these days – the 25th anniversary of Kazakhstan's independence. The country leaders give great attention to the oil industry, because its development positively affects the state's economy," said CPC General Director Nikolai Gorban.

"The Tengiz-Novorossiisk oil pipeline is recognized as the main export route among three directions which are used for oil transportation to the world market. Therefore, our pipeline plays an important role in the development of the oil industry of Kazakhstan. The country is landlocked in the middle of the continent and the pipeline's expanding capabilities allow the state to successfully move further into foreign markets," he added.

The teleconference also presented Island D, a large-scale, high tech structure on the Caspian Sea shelf where oil is gathered and an initial gas separation process is performed. The first batch of Kashagan oil was sent for export on 14 October and is now transported through the CPC and KazTransOil pipelines.

The CPC shareholders are Russia – 31% (represented by Transneft – 24%, and CPC – 7%); Kazakhstan – 20.75% (represented by KazMunaiGas – 19% and Kazakhstan Pipeline Ventures – 1.75%); Chevron CPC – 15%, LukArco – 12.5%, Mobil Caspian Pipeline – 7.5%, Rosneft-Shell Caspian Ventures Limited – 7.5%, BG Overseas Holding Limited – 2%, Eni International – 2% and Oryx Caspian Pipeline – 1.75%, Astanatimes.com reports.

S&P doesn't expect KazMunaiGas to buy back share in Kashagan

The International Rating Agency S&P Global Ratings affirmed its 'BB' long-term corporate credit ratings on Kazakhstan-government-controlled vertically integrated oil company KazMunaiGas (KMG) and its core subsidiary KazMunaiGas Exploration Production (KMG EP). The outlook is negative. The agency also affirmed 'kzA' Kazakhstan national scale rating on KMG.

"The affirmation primarily reflects our view that KMG will maintain funds from operations (FFO) to debt of about 20% on average and solid liquidity over 2017-2018, despite its weak operating performance," S&P said.

The agency note that the company sold its 50% stake in Kashagan, Kazakhstan's largest offshore oilfield, to its shareholder, and paid down bonds with a nominal value of \$3.7 billion. Together with other measures, this transaction helped KMG materially reduce debt and improve its liquidity. However, the rating incorporates the high likelihood that KMG buys back the stake in Kashagan.

Also, S&P expects that KMG will continue to receive ongoing and extraordinary support from the government, if needed, as the company is undergoing a transformation and strategic review.

S&P believes that KMG's operating performance will remain weak given the low oil price environment. Notably, the agency forecasts that its largest majority-owned exploration and production company, KMG EP, will generate EBITDA of about \$200 million in 2017-2018 versus more than \$1 billion in 2014, given its assets are mature and have high break-evens. Furthermore, given the low oil prices, the rating agency thinks that KMG's largest associate Tengizchevroil (where it holds 20% stake) will not distribute any dividends in 2017-2018, which further limits KMG's cash flow generation. That said, S&P believes that KMG's subsidiaries KazTransOil and KazTransGas will post robust results, with expected combined EBITDA of about \$600 million in 2017-2018. In S&P's view, these utilities have limited exposure to oil prices.

The negative outlook mirrors that on the sovereign, indicating that a downgrade of Kazakhstan would translate into a similar rating action on KMG, all other factors remaining unchanged. S&P could also lower the rating on KMG if it reassesses the likelihood of government support KMG could receive. This currently appears unlikely.

Downside scenarios beyond factors related to the sovereign appear unlikely. S&P could lower the rating on KMG if its FFO to debt falls below 12% due to lower oil prices or if the company takes a more aggressive stance on capital expenditures than the agency currently assumes. S&P expects that KMG will not buy back the 50% stake in Kashagan, which it sold to its shareholder Samruk-Kazyna in 2015, earlier than in 2018.

The rating on KMG already factors in the impact this buyback might have on the company's leverage. However, if the company were to do so without securing long-term financing, such a transaction could result in a downgrade. Deterioration in the company's liquidity could generally be a risk to its credit quality, although absent this acquisition, the rating agency does not anticipate any liquidity pressure in its base-case scenario.

S&P could revise the outlook on KMG to stable in the event of a similar action on the sovereign.

In the long term, ratings upside will likely hinge on materially higher oil prices than the rating agency currently assumes in its base case. Notably, a positive rating action could materialize if KMG EP starts generating substantial positive cash flows and Tengizchevroil resumes its dividend distributions, which have historically been an important source of KMG's operating cash flow. S&P sees this scenario as unlikely in the next 12-18 months, according to Trend.

Most waited project of year launched in Mangistau

The project to construct a ferry complex in the Kuryk Port in the Mangistau Oblast has been completed.

President Nazarbayev spoke to workers during a public teleconference and announced the launch of the new ferry complex. "The ferry complex at the port of Kuryk is an important link for the transport and logistic system of the Transcaspian International Corridor. We have finished the construction of the railway and port infrastructure, and today, we are ready to begin loading the first railroad train," CEO of Kuryk Port LLP, Abai Turikpenbayev told the president.

The project was implemented by Kazakhstan Temir Zholy for a cost of 32.1 billion tenge. Expected capacity is 5.1 million tons of freight per year, Kazinform reports.

Kazakhstan and China reaching out to European oil markets

A package of updated agreements on the creation of a joint venture, under KMG International NV (formerly Rompetrol), between Kazakhstan's national oil and gas company KazMunaiGas (KMG) and a major Chinese energy company, China CEFC Energy Company Limited, was signed last week in Bucharest, KMG said.

KMG and CEFC participate in the newly created joint venture based on share distribution of 49% and 51%, respectively.

As a part of the agreements, CEFC undertakes a number of commitments, according to which it will make investments in Europe and Silk Road countries and develop jointly with KMG projects in the field of oil refining and development of gas station network.

Initial package of agreements was signed in Astana on April 29, 2016. The parties have required additional round of negotiations to settle the issues between them, on new legal circumstances arisen on the territory of Romania.

The final stage of the transaction will be its approval with the competent authorities of Romania and the European Commission, obtaining necessary confirmations from the financial institutions. It is expected that these procedures will be completed in the first half of 2017.

"Cooperation with CEFC opens for KazMunaiGas, under KMG International, a number of new opportunities to extend the participation of Kazakhstan and China to European markets on sales of oil and oil products, on the basis of mutually beneficial and long-term partnership with Chinese investors," said Chairman of the Management Board of KazMunaiGas Sauat Mynbayev.

KMG is the national oil and gas company of Kazakhstan. It is the Kazakhstani operator for exploration, production, refining and transportation of hydrocarbons, representing the state's interests in the oil and gas sector of Kazakhstan.

CEFC is one of the fastest growing private companies in China. In 2016, it entered the list of Global Fortune 500, taking the 229th place. CEFC operates in the energy, financial and investment sectors.

KMG International NV is mainly focused on refining, marketing and implementation of trading activities on international markets.

A retail network of the group that operates under the brand of Rompetrol includes more than 1,100 fuel distribution stations in Romania, Georgia, Bulgaria and Moldova. The company's main activities are concentrated in the Black Sea region, where the company owns two oil refineries, the Times of Central Asia reports.

For more news on Kazakhstan's energy sector, please see our **Special Energy Issue**, which is available on a monthly basis at the Embassy's website:

<http://kazakhstan.nlembassy.org/>.

MINERAL RESOURCES

Nuclear fuel fabrication plant construction starts in Kazakhstan

Kazakhstan's National Atomic Company Kazatomprom and China General Nuclear Power Corporation (CGNPC) have proceeded to implementation of a joint innovative project in the nuclear sector, Kazatomprom said in a press release on December 6.

Construction of this Fuel assembly (FA) Manufacturing Plant is one of the breakthrough projects to be implemented under Kazatomprom's strategy which focuses on development of a vertically integrated fuel cycle company with advanced nuclear fuel fabrication capabilities.

The plant will be managed through a joint venture Ulba-FA, the founders of which are Ulba Metallurgical Plant JSC (51%) (Kazatomprom's subsidiary) and CGN-URC (49%) (subsidiary of CGNPC).

France's Areva will provide FA production technology. The relevant Contract was signed between AREVA NP and Ulba-FA LLP. The Agreement provides a license for fuel fabrication technology, engineering documentation, supply of the key production equipment, personnel training and others.

"This FA manufacturing plant construction is the result of a long-term cooperation of Kazakhstan, China and France and one of the strategic steps of Kazatomprom towards production diversification," Kazatomprom CEO Askar Zhumagaliyev said.

"Maintaining our uranium mining leadership, we are planning to offer to the market the fuel for nuclear power plants of Kazakhstan's origin, which will allow us to strengthen our position on the global nuclear market," he added.

CGNPC Director General Zhang Shanming his company has been cooperating with Kazatomprom in uranium mining, natural uranium trading and nuclear fuel pellets fabrication since 2006. "Execution of the joint fuel project allowed both companies to take their cooperation to a new level. This project is an example of successful cooperation within the 'One Belt, One Road' and 'Bright Path' initiatives," Shanming said.

Areva CEO Philippe Knoche said his company is proud to be selected as a full scope technology provider for this future fuel plant. "This contract reinforces the strong links between Areva, Kazatomprom and CGNPC. Our team is already mobilized for the successful implementation of the project and we have started the production of the necessary equipment," he said.

This project will allow establishing a modern, completely automated production with the capacity of 200 tons of fuel assemblies per year, which will be further used in NPPs as nuclear fuel. The enterprise is expected to have a guaranteed market outlet for 20 years, the press release read.

Investments would comprise over 49 billion tenge, half of which is to be provided by the Chinese side. This project will also create 129 direct new jobs and create additional economic benefit through support goods and services in Kazakhstan. Initial FA production is scheduled for 2020, according to New Europe.

Gold production ups in Kazakhstan

Resource-rich Kazakhstan has increased volumes of its gold production.

The country produced nearly 67.59 tons of unprocessed, semi-processed and powder gold in January-November 2016, while the figure is 17.7% more than in the same period of 2015, the Kazakh Statistics Committee reported.

The fine gold production in the country increased by 23.7% and reached the level of 34.55 tons in January-November 2016.

The production of unprocessed, semi-processed and powder silver dropped by 8.5% to 1.09 tons in the reported period. The fine silver production was 1.089 tons, that is, 8.6% less than in January-November 2015.

The country earlier announced its plans to increase production of refined gold in the coming years and implement five major projects in the gold mining industry within the framework of the Industrialization Map for 2015-2019.

One of the main objectives of the plan is to increase the volume of refined gold production, as well as develop the jewelry industry.

The volume of investments into the gold mining industry in Kazakhstan amounted to \$3.83 billion in 2010-2014. The country is deemed to have the third largest gold reserves in the CIS, following Russia and Uzbekistan.

In 2015 Kazakh enterprises produced 29 tons of fine gold, which was purchased in full by the National bank.

The current raw material base for gold mining includes 293 deposits—primarily small ones, with reserves of up to 25 metric tons, and medium-sized, with reserves ranging from 25 to 100 metric tons. The overall value of gold in Kazakhstan's deposits is estimated at \$48 billion.

Nearly 60% of reserves are contained in lode gold deposits, while polymetallic deposits account for some 38%. The remaining part is in placer deposits. Metals and mining industry accounts for 30% of the country's income, Azernews.az reports.

Chinese to build ore enrichment plant in South Kazakhstan Oblast

A Chinese investor plans to spend \$2 million to build an ore enrichment plant in Kentau in the South Kazakhstan Oblast.

A memo of understanding was signed for the project on December 12 between a Chinese investor, the Akimat of Kentau, and the Chamber of Entrepreneurs of the South Kazakhstan Oblast, the Atameken National Chamber of Entrepreneurs reports on its website.

The plant will be located in the Kentau Industrial Zone. The project will allow the plant to enrich ore to produce a copper-gold concentrate required in the steel industry, in particular for the industrial enterprises of Kazakhmys and Kazzinc.

Kentau Polymetal LLP was created to implement the project, the founders of which are a citizen of China and a resident of Kentau.

The Jubilee gold deposit in Western Kazakhstan will be the ore supplier for the processing plant.

The capacity of the plant will be 65 thousand tons of copper-gold concentrate per year (200 tons per day). The project will create 100 new jobs in Kentau. According to the memo, 90% of the workers will be local residents.

During the meeting in the office of the Chamber of Entrepreneurs of the South Kazakhstan Region, representatives of the Chinese company also spoke about the need for detailed advice on the legislation of Kazakhstan for the support of investment projects.

The Chamber pledged to provide comprehensive legal services and other support to its Chinese partner, according to the Times of Central Asia.

TRANSPORT & COMMUNICATIONS

Kazakhstan, Azerbaijan, Turkey and Georgia railways ink MOU

Heads of railway authorities of Azerbaijan, Kazakhstan, Turkey and Georgia signed a memo of understanding (MOU) in Baku on the development of the Trans-Caspian International Transport Route (TCITR), a message from Azerbaijan Railways CJSC said on December 7.

Head of Azerbaijan Railways CJSC Javid Gurbanov, President of Kazakhstan Railways JSC Kanat Alpysbaev, Director General of Turkish State Railways Transportation Veysi Kurt and CEO of Georgian Railways JSC Mamuka Bakhtadze had a quadrilateral meeting in Baku.

The two sides discussed developing the Trans-Caspian International Transport Route, increasing freight traffic via the route, and optimizing tariffs.

The agreement to create the Trans-Caspian International Transportation Consortium was signed in April in Baku by the railway authorities of Azerbaijan, Georgia and Kazakhstan.

New competitive tariffs were introduced for the Trans-Caspian International Transport Route on June 1, 2016.

The Trans-Caspian International Transport Route runs through China, Kazakhstan, Azerbaijan, Georgia and then through Turkey and Ukraine to Europe, Trend reports.

All Kazakh airlines cleared to fly to all EU nations

"The EU Air Safety list is one of our main instruments to continuously offer the highest level of air safety to Europeans. I am particularly glad that after years of work and European technical assistance, we are today able to clear all Kazakh air carriers. This also is a positive signal for all the countries that remain on the list. It shows that work and cooperation pay off. The commission and the European Aviation Safety Agency are ready to assist," said Commissioner for Transport Violeta Bulc.

The approvals were part of an update to the EU Air Safety List, which restricts airlines that don't meet international safety standards.

The list protects public safety and helps countries who seek to fly in the EU improve safety measures. One-hundred-ninety-three countries remain banned from flying in the EU following the latest update.

The update is based on the unanimous opinions EU safety experts who met on 22-24 November within the EU Air Safety Committee (ASC).

This committee is chaired by the European Commission with the support of the European Aviation Safety Agency (EASA). Assessment is made against international safety standards and notably the standards promulgated by the International Civil Aviation Organization (ICAO).

As part of the Aviation Strategy presented in December 2015, the commission announced its intention to evaluate Regulation (EC) No 2111/2005, which established the Air Safety List. This evaluation will assess the best ways to protect passengers against unsafe air carriers.

One such way is to work with international aviation authorities to raise global safety standards. With the support of the European Commission, EASA is, therefore, implementing technical cooperation projects with partner countries and regions.

One example is the Eastern Partnership/Central Asia Project. Through this project, EASA works with Eastern European and Central Asian states to ensure their participation in the pan-European civil aviation system and supports civil aviation authorities' international safety and security obligations, according to the Astana Times.

Company to manufacture Kazakhstan's first electric public buses

Officials from the Almaty Akimat, the Maslikhat and Regional Business Council visited on December 15 a recently opened Almaty company called — Higer Quazar. While there, they were able to take a look at the first domestically-produced electric buses and charging stations. The plant will begin producing the buses next year.

Director of the Almaty Department of Roads and Passenger Transportation, Maksut Isakhov, Deputy Director of the Department, Yerlan Adilov, Chair of Almatyelectrotrans LLP, Rizvan Tsinaev and shareholder in the Green Bus Company LLP Risbek Yertaev inspected the new Higer Quasar facilities.

According to a company press release, Higer Quasar is the first company in Kazakhstan to manufacture modern electric public transportation vehicles.

The Parasat Scientific and Technical Center at Satpaev Kazakh National Research and Technical University (KazNRTU) and the Chinese partner — Higer set up the joint venture. The electric buses to be produced at the plant have met all national legal requirements and obtained licenses to operate in the Eurasian Economic Community and the European Union, the company states.

"Today, electric cars are being produced in Kostanai. I dream one day that all of Kazakhstan will drive electric cars ... especially in polluted cities such as Almaty and Ust-Kamenogorsk. If we manage to make them fully electric, we will be able to protect the environment," President Nursultan Nazarbayev said in a recent speech, according to the Astana Times.

Kazakhstan, Russia discuss future of Baikonur Space Center

President Nursultan Nazarbayev and Deputy Prime Minister of Russia, Dmitry Rogozin have discussed the progress reached by the two countries' governments' on the ongoing development of the Baikonur Space Center, as well as defense and armament agreements, a press statement from Ak Orda said on December 2.

"We have already discussed setting up joint ventures in the defense industry. We have established a separate ministry toward this end," Nursultan Nazarbayev said.

Rogozin for his part, informed Nazarbayev on the technical aspect of the future Baiterek project.

"This project is designed to create conceptually new rocket and space technology and to modernize the launch complex. In the event of a formalization of the arrangements reached by the heads of the two states related to the project, it opens favorable development prospects for the city of Baikonur and the launch complex," Dmitry Rogozin said.

The president noted the promotion of Kazakh-Russian relations in other sectors of the economy as well, Akipress reports.

AGRICULTURE

Kazakhstan to promote agricultural exports

A new agribusiness development program for 2017-2021, providing for new mechanisms for the export of domestic agricultural products, was considered at a Kazakh government meeting on November 29, the prime minister's official website reports.

At the meeting, Deputy Prime Minister and Minister of Agriculture Askar Myrzakhmetov said that it is planned to establish an agribusiness export hub to support domestic agricultural producers by promoting their products in foreign markets.

The center will buy products from farmers and establish channels for their export to foreign markets, promote domestic brands abroad (including KZ Organic Food), analyze foreign markets, and prepare roadmaps for prospective sales countries.

In addition, the center will find export niches, as well as trade financing and insurance for export contracts for local farmers.

Myrzakhmetov also said that standards for production and certification of organic products in accordance with international standards will be developed in Kazakhstan, and a certification laboratory for organic products will be established in the framework of promotion of Kazakhstan's brand of organic products.

In line with the instructions of the President of Kazakhstan Nursultan Nazarbayev priority for the near perspective will be given to accelerated development of the agricultural sector, for which the Government of Kazakhstan has developed the State Program for the Development of Agribusiness for 2017-2021. Over the next five years, the production and processing of agricultural products should be the main source of diversification and a driver of economic growth, the Times of Central Asia reports.

EXHIBITIONS IN KAZAKHSTAN (January – March 2017)



KIAE

Kazakhstan International Automotive Exhibition
28 February – 2 March 2017, Astana
Organizer: Astana Expo
www.kiae.kz



Commercial Transport Expo Central Asia (CTECA)

28 February – 2 March 2017, Astana
Organizer: Astana Expo
www.cteca.kz



ShymkentBuild

South Kazakhstan International Exhibition on Construction and Interiors, Ceramics and Stone, Fenestration, Heating and Ventilation, Road Construction
15 – 17 March 2017, Shymkent
Organizer: Iteca
www.shymkentbuild.kz



AgriTek Astana

Kazakhstan International Exhibition for Agriculture
15 – 17 March 2017, Astana
Organizer: TNT Productions
www.tntexpo.kz



FarmTek Astana

Kazakhstan International Exhibition for Animal Husbandry and Livestock Breeding
15 – 17 March 2017, Astana
Organizer: TNT Productions
www.tntexpo.kz



Expo Real Estate

Kazakhstan International Exhibition on Real Estate
29 – 31 March 2017, Astana
Organizer: Atakent-Expo
www.atakentexpo.kz



PromStroy Astana

Kazakhstan Industrial and Construction Exhibition
29 – 31 March 2017, Astana
Organizer: Atakent-Expo
www.atakentexpo.kz



HomeDeco Kazakhstan

International Exhibition for Home Textile and Interior Design
27 – 29 March 2017, Almaty
Organizer: Turkel Fair Organization
www.homedecofair.com

Exhibitions dates are subject to change. For a complete overview and more information on exhibitions in Kazakhstan, please visit:

www.iteca.kz

www.astana-expo.kz

www.expocentralasia.com

www.tntexpo.kz

www.atakentexpo.kz

<http://10times.com/>

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