



**Kazakhstan Newslines**

For Decision Makers Interested in Kazakhstan and Central Asia

# **KAZAKHSTAN NEWSLINE**

## **WEEKLY NEWS DIGEST**

**WEEK: APRIL 20 – 28, 2009**



## TABLE OF CONTENTS

**Articles of the Week.....4**

- 642 Factories shut down, Unemployment at 7%.....4
- Kazakhstan: Tenge May Tumble Despite China’s \$10-Billion Aid Package.....4
- Kazakhstan: Public Sector Workers owed \$40 Million in Unpaid Wages.....4
- Kazakhstan: External Debt to be restructured, say Analysts.....4
- President Nursultan Nazarbayev talks with US VP Joseph Biden on the Phone.....4

**Kazakhstan General.....5**

- CICA – a Base for the Asian 20.....5
- Almaty to host International Fund to Rescue the Aral Summit.....5
- Kazakhstan snubs NATO Games in Support for Russia.....5
- Abducted South Korean released in Almaty.....5
- Kazakhstan: Journalists appeal to Nazarbayev to liberalize Media Rules.....6
- Kazakh Opposition Newspaper Publisher imprisoned.....6
- River Water in Kazakhstan Too Dirty even for Irrigation.....6

**Oil and Gas Sector.....7**

- China lends Abroad to ease Oil Deals.....7
- Kazakhstan excludes Refinery from China Oil Deal.....7
- KazMunaiGas E&P Q1 Oil Output down 5.2 Percent.....7
- Masimov meets ConocoPhillips and Mubadala Reps.....7
- TNK-BP eyeing Kazakh ZhaikMunai.....7
- Panel clears OVL’s \$400 Million Investment in Kazakh JV.....8
- Budget Income from Oil Sector to be KZT 1.2 Trillion in 2009.....8
- Majilis ratifies Kazakhstani-Russian-Turkmen Pre-Caspian Gas Pipeline.....8
- Saudabayev and Masimov meet New Chevron Deputy Head.....8
- CNPC, KazMunaiGas purchase MangistauMunaiGas for US \$ 3.3 Billion.....8
- KazMunaiGas reports on Local Content Increase.....8

**Energy Industry.....9**

- US welcomes President Nazarbayev’s Initiative to host International Nuclear Fuel Bank.....9
- Toshiba negotiating to buy Nuclear Fuel Rods from Kazakhstan.....9

**Finance and Investment.....9**

- Vietnam and Kazakhstan look for Stronger Economic Ties.....9
- Halyk Savings Bank Assets grow 68.6%.....9
- Prime Minister Karim Masimov meets Al-Hilal Islamic Bank Officials.....9
- Ministry of Economy forecasts 3% GDP Growth in 2010.....10
- Banks will not be granted State Guarantees under Any Circumstances – Supervisory Chairman.....10
- National Fund Assets reach KZT 3 Trillion.....10
- State Budget Income reaches KZT 800 Billion with KZT 87.3 Billion Surplus.....10
- Investment Reduction leading to Drop in Business.....10
- Kazakh Economy Shrinks 2% in 1Q 2009.....10
- Processing Industry decreases Production 11% in Q1 2009.....10
- Kazakhstani Officials ordered to report on Property Origins.....11
- Banking Sector can Meet Obligations – Marchenko.....11
- Kazakhstan: Astana facing Recession.....11
- Nazarbayev says SME Support developing Slowly.....11
- Halyk Bank in \$643 Million Preferred Stock Sale.....12



<b>Metals and Minerals .....</b>	<b>12</b>
Arcelor Mittal increases Social Program Financing.....	12
<b>Trade and Consumer Goods.....</b>	<b>12</b>
Kazakhstan's Foreign Trade decreases 38.8% .....	12
Kazakhstan strengthens Anti-Epidemic Measures on Border .....	12
<b>People and Training.....</b>	<b>12</b>
Kairat Kelimbetov becomes Sberbank Supervisory Board Member .....	12
Vice Chairman of BTA elected .....	13
Nurzhan Botabaev becomes Vice Chair at BTA Bank.....	13
<b>Communications and Transportation.....</b>	<b>13</b>
Kazakh amendments to Internet Regulations contradict OSCE Principles - Andrei Richter .....	13
Air Astana to purchase Embraer Planes .....	13
Kazakhstan orders Oil Tankers from Russian Shipyard .....	13
<b>Real Estate .....</b>	<b>14</b>
Nazarbayev urges Continuous Development of Astana .....	14
Tasmagambetov draws President's Attention to Two Kuat Projects.....	14
Nazarbayev signs Real Estate Registration Rights Amendments .....	14
Astana to strengthen Control over Construction Quality .....	14



## ARTICLES OF THE WEEK

---

### 642 Factories shut down, Unemployment at 7%

642 enterprises have fully or partially shut down because of the world financial crisis, Minister of Labor and Social Development Gulshara Abdykalikova said, KazTAG reported.

"Inflation increased from 6.6% to 7% because enterprises have shut down. 589.6 thousand people were registered as unemployed in the first quarter of 2009," Abdykalikova said.

The government plans to allocate KZT 140 billion to stabilize the labor market, creating jobs, and staff training and retraining, she noted, according to CA-News

### Kazakhstan: Tenge May Tumble Despite China's \$10-Billion Aid Package

A further devaluation of Kazakhstan's national currency appears imminent, some analysts are saying.

Dmitry Pushkarev, chief of financial and economic analysis at 2Trade.ru, told the Nezavisimaya Gazeta daily on April 20 that the tenge's value may tumble an additional 15 percent in the coming six months, as the Kazakhstani government struggles to stabilize its economy.

Although Kazakhstan just received a \$10-billion assistance package from China, much of the aid money comes with strings attached. "The Chinese are pursuing their own interests by stimulating their exports to Kazakhstan, and the fact that half the credit comes from the Export-Import (Exim) Bank of China, says a lot," Pushkarev said, according to Eurasianet

### Kazakhstan: Public Sector Workers owed \$40 Million in Unpaid Wages

Kazakhstan's government owes public-sector workers \$40 million in wage arrears. Those waiting for payment include rank-and-file social workers, teachers and doctors.

"According to reports from local executive bodies, on April 1 this year, wages arrears financed from local budgets (hit) \$40 million. Of these, the largest debt is in the Almaty area -- \$16 million, Almaty (city) \$8 million. North Kazakhstan Province -- \$6.6 million, Zhambyl Province \$5.3 million, the Pavlodar Region \$3.4 million," the Kazakhstan Today quoted Finance Minister Bolat Zhamishev as saying on April 21, according to Eurasianet.org.

### Kazakhstan: External Debt to be restructured, say Analysts

Kazakhstani banks will likely restructure their external debts in the "near future" and Kazakhstani companies should not expect loans from foreign lenders any time soon, leading analysts have warned.

"Separate external liabilities are being restructured and the risk of possible restructuring in the near future exists for several banks in Kazakhstan. This is happening because Kazakh banks owe \$11 billion to foreign banks (in 2009) and \$8 billion in 2010," Alexei Kechko, the associate director of financial institutions at Fitch Ratings agency, said at a conference in Almaty on April 22.

In addition, many foreign banks who received government assistance at home will be unable to lend abroad if they are to meet the terms of their bailout packages, added Nikolai Lukashevich, a senior director at the agency.

"Many western banks have received support from their national governments. The banks are required to support local businesses, which means they will have to cut (out) financing foreign debtors including Kazakh companies," the news agency Kazakhstan Today quoted him as saying, according to Eurasianet.org.

### President Nursultan Nazarbayev talks with US VP Joseph Biden on the Phone

At the beginning of the conversation, Joseph Biden expressed gratitude on behalf of the US President for Kazakhstan's role in renewal of Asia; Kazinform cited a press release from the president of Kazakhstan as stating.

The US Vice President spoke highly of Kazakhstan's contribution to nuclear nonproliferation and stressed the US new administration will support Kazakhstan's policy in this area.



In turn, President Nazarbayev expressed support for nuclear initiatives stated by US President Barack Obama in Prague. Nazarbayev voiced similar ideas at the UN General Assembly in 2007.

According to the head of state, the Non-Proliferation Treaty in its present form no longer meets today's challenges, and requires revision.

Joseph Biden discussed the willingness of the new US leadership to prioritize improving nuclear non-proliferation. He expressed his hope Kazakhstan would continue to participate actively in this process, and invited Nazarbayev to participate in an international non-proliferation conference, Kazinform reports.

## KAZAKHSTAN GENERAL

---

### CICA – a Base for the Asian 20

The Conference on Interaction and Confidence-Building Measures in Asia (CICA) is a basis for the Asian 20, President of Kazakhstan Nursultan Nazarbayev said while addressing conference participants at the Boao Asian Forum on Hainan Island, Kazakhstan Today reports citing a presidential press release.

Nazarbayev brought to focus the increasing role of the Asian continent, which he said has become the world financial center of the 21st century. The future, post-crisis configuration of the world financial system will be defined here, in many respects, he said.

Nazarbayev noted the global crisis does not only mean an increase in serious problems, but also the birth of important innovations and the realization of new global opportunities. One such opportunity is the introduction of a new world currency and, accordingly, a change in the management principles for the world financial system, according to Kazakhstan Today

### Almaty to host International Fund to Rescue the Aral Summit

The Summit of the Leaders of the Founding States of the International Fund to Rescue the Aral will take place in Almaty on April 28 the Press Secretary for the Ministry for Foreign Affairs of Kazakhstan, Ilyas Omarov reported at a weekly briefing on Monday, Kazakhstan Today reports.

According to Omarov, during the summit, participating officials will discuss the fund's operation, the formation of a new structure for the authorized bodies under the fund, including boards, the executive committee and a revision committee, the stimulation of cooperation with international organizations, financial structure and donors, according to Kazakhstan Today

### Kazakhstan snubs NATO Games in Support for Russia

Kazakhstan refused Tuesday to take part in NATO-organized war games in Georgia in a show of support for Russia, which has bitterly criticized the plan.

Russia, which fought a brief war with Georgia last year and strongly opposes its ambition to become a member of NATO, has protested against the alliance's plans to hold a series of exercises near the Georgian capital Tbilisi in May.

Kazakhstan, a former Soviet republic in Central Asia, on Tuesday backed Russia's position by pulling out. "No, we will not take part," Defense Minister Danial Akhmetov told reporters. "We are too busy. Yes, it's our final decision," Reuters reports.

### Abducted South Korean released in Almaty

A South Korean businessman was released hours after he was abducted by an unidentified group in Almaty, the largest city of Kazakhstan, Wednesday, according to the Ministry of Foreign Affairs and Trade.

The abduction took place at around 9 a.m. (KST) when the 44-year-old man identified only by his family name – Nam, was heading for an investment company he runs, the ministry said.

The man was released after negotiations with the group who asked for a ransom in return for his release, it said.



Abductors apparently called Nam's company to demand money, the official said, adding that they eventually cut the ransom demand in half, to \$50,000 from \$100,000, according to the Associated Press.

## **Kazakhstan: Journalists appeal to Nazarbayev to liberalize Media Rules**

Kazakhstan's annual Eurasian Media Forum, organized by President Nursultan Nazarbayev's eldest daughter, Dariga Nazarbayeva, opens in Almaty on April 23.

The conference this year is taking place amid controversy in Kazakhstan over planned changes to legislation governing the Internet and concerns over the reporting environment in general.

The draft amendments to Internet legislation, drawn up by the Information Technology and Communications Agency, are set for their first reading in the lower house of parliament, the Majilis, on April 29.

Proponents of the bill say the amendments are needed to protect people's rights and establish provisions to fight the propagation of terrorism, extremism, and pornography.

Opponents say the changes are overly restrictive. For example, the draft legislation effectively classifies blogs, forums, and chat rooms in the Kazakhstan domain as media outlets, thereby subjecting them to strict oversight and making Internet users answerable for comments posted online.

Three days before the opening of Kazakhstan's annual media jamboree - where international guests discuss issues facing global journalism -- prominent members of the journalistic community sent an open letter to Nazarbayev, which they also planned to hand him in person at the forum. In it, they ask for a meeting to discuss Internet legislation and other issues facing the media, Eurasianet reports.

## **Kazakh Opposition Newspaper Publisher imprisoned**

A Kazakhstani court has imprisoned the publisher of an opposition newspaper for failing to pay damages from a libel suit in a case his supporters call politically motivated.

Yermurat Bapi was sentenced Thursday to five days in prison.

The sentencing comes as the former Soviet nation prepares to take the chair of the Organization for Security and Cooperation in Europe next year with promises to improve media liberties, according to the Associated Press.

## **River Water in Kazakhstan Too Dirty even for Irrigation**

It can carry carcinogens into rice fields, pass toxins from nursing mothers to newborns, and is seen as a threat to the health and livelihood of the millions of people who live nearby.

It is the water from the Syr Darya, Central Asia's longest river, and second-largest by volume.

By the time it nears the end of a twisting course that takes it through four Central Asian states, the Syr Darya has accumulated such high levels of agricultural runoff such as pesticides and fertilizers, industrial waste, and any number of other contaminants that some are warning that crops irrigated by the river in southern Kyzyl-Orda province should be burned.

And as bad as that sounds, it may be even worse. The dire assessment of the state of Syr Darya's water was made on March 26 at a meeting in Almaty of state-sponsored environmentalists and ecologists, the sort of group one would expect might "sugarcoat" the true extent of the problem.

During the meeting, the deputy director of Kazakhstan's agency for applied ecology, Malik Burlibaev, said that "the Syr Darya is so polluted that water from it should not be used for drinking or for irrigation." Rice harvested in Kyzyl-Orda, he said, was so loaded with cancer-causing agents that it should not be eaten.

Burlibaev claimed that intestinal-cancer rates of residents in Kyzyl-Orda were the highest in Kazakhstan, and that 90 percent of nursing mothers in the province were passing pesticides to their babies through their breast milk., RFE/RL reports.



## OIL AND GAS SECTOR

---

### China lends Abroad to ease Oil Deals

China is making a push to lock up energy reserves across the globe by offering much-needed credit to governments, the latest in a \$10 billion oil-for-loan deal with Kazakhstan.

China struck similar deals this year with state oil producers in Russia, Brazil and Venezuela. In February, China Development Bank extended a \$25 billion financing package to Russia's state-owned OAO Rosneft, its biggest oil producer, and OAO Transneft, its oil pipeline operator, in exchange for Russia sending about 300,000 barrels a day to China through a pipeline under construction.

China's willingness to extend credit gives its state oil companies a leg up on Western competitors such as Exxon Mobil Corp., Chevron Corp. and BP PLC.

China's government prefers financing acquisitions that give Chinese oil companies direct ownership of resources. But the government extends loans to foreign governments' national oil companies directly if it gives the Chinese oil companies special access to future exploration projects or provides guaranteed oil supplies, according to bankers who work with the Chinese companies.

In the most recent deal, announced Friday, China National Petroleum Corp. and Kazakhstan's state-owned oil producer KazMunaiGas are jointly acquiring MangistauMunaiGas from Central Asia Petroleum Ltd of Indonesia. As part of the deal, CNPC will receive priority access to future projects in exchange for a \$5 billion loan extended by CNPC to KazMunaiGas, and the Export-Import Bank of China is lending \$5 billion to Kazakhstan Development Bank to invest in infrastructure, according to the Wall Street Journal.

### Kazakhstan excludes Refinery from China Oil Deal

Kazakhstan has excluded an oil refinery from the deal in which Kazakh and Chinese state energy firms jointly bought a local oil producer, Kazakh state company KazMunaiGas said on Monday.

KazMunaiGas and China's CNPC agreed last week to buy MangistauMunaiGas (MMG) as part of a deal in which CNPC also lent KazMunaiGas \$5 billion.

"(But) shares in and assets related to Pavlodar Oil Refinery have been excluded from this deal," KazMunaiGas said in a statement, according to Reuters.

### KazMunaiGas E&P Q1 Oil Output down 5.2 Percent

Kazakhstani oil producer KazMunaiGas Exploration and Production said on Monday its oil output fell 5.2 percent year-on-year to 2.7 million tons (224,000 barrels) in the first quarter.

"The drop below the planned level can be explained by tough weather conditions in West Kazakhstan in January 2009," KMG E&P said in a statement, according to Reuters.

### Masimov meets ConocoPhillips and Mubadala Reps

Prime Minister Karim Masimov has met with officials from ConocoPhillips and Mubadala Development Company to discuss the development of Kazakhstan's "N" Bloc oil field in the Caspian Sea.

The parties involved noted high interest in an early start to work on the deposit. Chairman and Chief Executive Director of ConocoPhillips Jim Malva said the "N" Bloc was of great importance for the company, and expressed his hope to enter into an agreement and submit all necessary documents for the Kazakhstani government's approval as soon as possible, according to Kazinform.

### TNK-BP eyeing Kazakh ZhaikMunai

TNK-BP, Russia's third-largest oil producer, is considering making an offer to buy Kazakh oil producer ZhaikMunai, sources close to the Russian company told Reuters on Tuesday.

"I know there is an offer (to buy ZhaikMunai)," one of the sources said on condition of anonymity. "The company is looking at it."



The source did not specify the size of the stake or the offer price. A second source close to TNK-BP, which is half-owned by BP Plc, confirmed the company had received the offer, Reuters reports.

## **Panel clears OVL's \$400 Million Investment in Kazakh JV**

The empowered panel of secretaries (India-KNL) has recommended to the union cabinet approval for ONGC Videsh's proposed \$400 million investment in developing an oil field in Kazakhstan.

ONGC Videsh Ltd along with steel baron Lakshmi N Mittal will pick up a 25 percent stake in the Satpayev oil block, official sources said.

ONGC-Mittal Energy Ltd, the 50:50 joint venture between OVL and Mittal Investment, will pay \$26 million signing amount for taking a 25 percent stake in Satpayev oil field, [www.domain-b.com](http://www.domain-b.com) reports.

## **Budget Income from Oil Sector to be KZT 1.2 Trillion in 2009**

Budget income from the oil sector in 2009 is expected to be KZT 1.2 trillion, Vice Minister of Economy and Budgetary Planning of Kazakhstan, Timur Suleimenov reported at 3rd Fitch Ratings Annual Conference on Kazakhstan, Kazakhstan Today reports, according to Kazakhstan Today

## **Majilis ratifies Kazakhstani-Russian-Turkmen Pre-Caspian Gas Pipeline**

The Majilis has approved a draft law on the ratification of the agreement between the governments of Kazakhstan, Russia and Turkmenistan on cooperation in the construction of the Pre-Caspian Gas Pipeline, at a plenary session yesterday.

The agreement will make it possible to transport up to 20 billion cubic meters of Turkmenistan and Kazakhstan's gas annually, according to Kazinform.

## **Saudabayev and Masimov meet New Chevron Deputy Head**

At Ak Orda, Secretary of State of Kazakhstan Kanat Saudabayev received the newly appointed Vice Chairman of Chevron John Watson.

The two parties discussed the current state and prospects for cooperation to develop energy resources in Kazakhstan.

"Chevron, as the first major foreign company that has the right to develop oil and gas in Kazakhstan always attracted special attention of the country's leadership," said the Secretary of State during the meeting, noting the importance not only to further increase production and transportation of petroleum products, but also increase social responsibility, a press release from the prime minister reports.

## **CNPC, KazMunaiGas purchase MangistauMunaiGas for US \$ 3.3 Billion**

China National Oil and Gas Exploration and Development Corporation has signed an agreement with KazMunaiGas to purchase MangistauMunaiGas JSC for 3.3 billion US dollars.

The purchase of the major oil developer in Kazakhstan included two oil and gas fields and all its other oil and gas assets, according to the China National Petroleum Corporation (CNPC), the parent company of the Chinese party, according to Crienglish.com.

## **KazMunaiGas reports on Local Content Increase**

On April 24, 2009, KazMunaiGas attended the Forum on Corporate Social Responsibility in Shieli (Kzylorda Oblast), which also dealt with increasing Kazakhstani content.

Kazakhstani goods and services as part of KMG's total purchases for the first quarter of 2009 reached a value of 90.2 billion tenge, or 98 percent of the total (91.4 billion tenge).

Services purchased had a total value of 86.8 billion tenge with the Kazakhstani amounting to 98.8 percent (85.8 billion tenge). Equipment purchases were 4.5 billion tenge with the percentage of Kazakhstan-made equipment at 96.4% (4.3 billion tenge), a company press release stated.



## ENERGY INDUSTRY

---

### US welcomes President Nazarbayev's Initiative to host International Nuclear Fuel Bank

The United States welcomes President of Kazakhstan, Nursultan Nazarbayev's initiative to host the international nuclear fuel bank in Kazakhstan, Kazakhstan Today reports citing a presidential press release.

According to the press release, State Secretary Kanat Saudabaev met the American Assistant Secretary of Defense for Global Security Affairs, Joseph Benkert.

"Close bilateral cooperation in strengthening nuclear and biological security is being carried out. The US welcomed the initiative of the President of Kazakhstan to host the international nuclear fuel bank under the aegis of the International Atomic Energy Agency (IAEA)," the press release stated, according to Kazakhstan Today.

### Toshiba negotiating to buy Nuclear Fuel Rods from Kazakhstan

Toshiba Corp, Japan's largest supplier of reactors, is in talks to buy nuclear-fuel rod assemblies from Kazakhstan after opening a new uranium mine in the central Asian nation.

Toshiba President Atsutoshi Nishida, speaking in Almaty, the country's financial center, declined to say when an agreement may be signed or how much it may be worth.

Kazakhstan's state-owned Kazatomprom, Canadian miner Uranium One Inc., Toshiba and a group of Japanese companies led by Tokyo Electric Power Co. yesterday opened a mine in southern Kazakhstan as the country seeks to supply about a third of Japanese uranium demand by 2014, according to Bloomberg.

## FINANCE AND INVESTMENT

---

### Vietnam and Kazakhstan look for Stronger Economic Ties

Vietnamese Prime Minister Nguyen Tan Dung on April 18 met with Kazakhstan's President Nursultan Nazarbayev on the sidelines of the Boao Forum for Asia in south China's Hainan province.

The two leaders discussed a wide range of measures to further promote mutually beneficial multi-faceted cooperative relations between Vietnam and Kazakhstan in all areas, particularly in trade and investment.

They agreed to accelerate preparations for the early signing of framework agreements on the bilateral economic and trade cooperation, according to VietNamNet

### Halyk Savings Bank Assets grow 68.6%

The assets of Halyk Savings Bank in 2008 grew by 68.6% to KZT 97.54 million as of January 1, 2009, Kazakhstan Today reports citing a financial statement from the bank published on the Kazakhstan Stock Exchange (KASE) website.

The bank's liabilities have over the reporting period increased by more than twice to KZT 63.32 million, and capital has increased by 7.3% to KZT 34.22 million.

The bank's net profit in 2008 was KZT 2.32 million, according to Kazakhstan Today

### Prime Minister Karim Masimov meets Al-Hilal Islamic Bank Officials

Prime Minister Karim Masimov has met with officials from the Al-Hilal Islamic Bank. The parties involved discussed the implementation of agreements reached by both countries' presidents during Nursultan Nazarbayev's visit to Saudi Arabia. They also considered the operation of a bank in Kazakhstan based on Islamic financing principles.

Masimov expressed interest in acceleration of the process of the Islamic Bank opening in Kazakhstan.

Chairman of Al-Hilal Bank Ahmed Ateeq al-Mazrouei noted the two parties have taken all necessary steps in this direction. He said the opening of offices of the bank in Almaty and Astana is being discussed at present., Kazinform reports.



## Ministry of Economy forecasts 3% GDP Growth in 2010

The Ministry of Economy and Budgetary Planning of Kazakhstan forecasts 3% GDP growth in 2010, Vice Minister of Economy and Budgetary Planning of Kazakhstan, Timur Suleimenov reported during the 3rd Annual Fitch Ratings Conference on Kazakhstan, Kazakhstan Today reports.

## Banks will not be granted State Guarantees under Any Circumstances – Supervisory Chairman

Under no circumstances will the banks be provided with government guarantees, the chairman of Kazakhstan Agency for Regulation and Supervision of Financial Market and Financial Organizations (FSE) Elena Bakhmutova said on April 21 during the 3rd Annual Fitch Ratings Conference.

"We will use all feasible suggestions: the redemption of discounts, the substitution of new debt securities. The only thing I want to say is that under no circumstances would state guarantees be used, not in the case of Alliance Bank nor any other banks," she said.

She stated, "The scale of the banking sector's problems does not pose a threat to the sovereign rating taking into account the amount of assistance provided, or even for a possible deterioration in the quality of the portfolio," Kazakhstan Today reports.

## National Fund Assets reach KZT 3 Trillion

The assets of the National Fund of Kazakhstan as of April 1, 2009, were at more than KZT 3 trillion, Minister of Finance of Kazakhstan, Bolat Zhamishev reported at a government session yesterday, Kazakhstan Today report, according to Kazakhstan Today

## State Budget Income reaches KZT 800 Billion with KZT 87.3 Billion Surplus

Kazakhstan's state budget income totaled about KZT 800 billion for the first quarter of 2009, Minister of Finance Bolat Zhamishev reported at a government session yesterday, Kazakhstan Today reports.

"We planned KZT 46 billion deficit, but in fact had a KZT 87.3 billion surplus for the first quarter of 2009," Zhamishev said.

"The state budget income for the last three months without taking into account loan income was KZT 797.1 billion. Income was KZT 796.3 billion or 103.5% of the planned amount," he specified, according to Kazakhstan Today

## Investment Reduction leading to Drop in Business

A reduction in investments has led to a decrease in business activity and manufacturing in Kazakhstan, Minister of Economy and Budgetary Planning of Kazakhstan, Bahyt Sultanov reported at a government session yesterday, Kazakhstan Today reports.

"The reduction in external demand resulting from a recession in the majority of countries, a decrease in prices for the main Kazakhstani export items and a reduction in investments have led to significant decrease in business activity and a manufacturing recession in the country," Sultanov stated, according to Kazakhstan Today

## Kazakh Economy Shrinks 2% in 1Q 2009

Kazakhstan's economy shrank by 2% in the first quarter of this year, Economy and Budget Planning Minister Bakhyt Sultanov said Monday.

Sultanov added that this was a preliminary figure, according to the government's website.

The minister said the government is keeping its forecast of 1% economic growth for 2009. Kazakhstan's gross domestic product rose 3.2% in 2008, Dow Jones reports.

## Processing Industry decreases Production 11% in Q1 2009

The national processing industry decreased overall production by 11% in the first three months of 2009, Minister of Economics and Budget Planning Bakhyt Sultanov said, KazTAG reports.



The minister noted that large enterprises in the metallurgy, food and engineering industries have reduced sales volumes, and said all regions are experience drops in processing volumes other than the Atyrau Oblast and South Kazakhstan.

"As a whole, the results of the first quarter show the development of the Kazakhstani economy depends on state funds," he noted, CA-News reports.

## **Kazakhstani Officials ordered to report on Property Origins**

Government officials have been ordered to report on the origins of their personal property under a presidential executive order in a move to strengthen the fight against crime and corruption, which was published on Thursday in the official media, reported Kazakhstan Today.

In the executive order, the president ordered the development of a legal mechanism for providing the transparency of property of public service personnel, in particular pertaining to personal assets with values exceeding their official incomes, according to CA-News.org.

## **Banking Sector can Meet Obligations – Marchenko**

Kazakhstan' banking sector is quite able to meet its obligations to foreign lenders, National Bank Chair Grigory Marchenko said.

"Kazakhstan's banking sector is capable of discharging its foreign liabilities," he said while answering questions during the Eurasian Media Forum on Thursday, reported Interfax-Kazakhstan.

He said "as of summer 2007, Kazakhstan's foreign debt amounted to \$56 billion. As of April 1, 2009, foreign debt was \$35 billion."

"That is, a quarter of the debt was repaid in a rather short time. In comparison to GDP, Kazakhstan's foreign debt amounted in 2007 to 50% of GDP.

We believe that after Q2 2009, the banks will still be servicing their debt. By June it will become clear however that the foreign borrowings issue will be resolved," Marchenko said, CA-News wrote.

## **Kazakhstan: Astana facing Recession**

Kazakhstan will not be able to avoid recession, and has in fact already entered one, a leading economist told a conference hosted by the ruling Nur Otan Party.

"The economy of Kazakhstan is not in a position, in spite of various measures, to avoid a recession, because not everything depends on internal factors," Arystan Esentugelov, the director of the government and National Bank's National Analytical Center, was quoted as saying on April 24 by the Kazakhstan Today news agency.

Kazakhstan's gross domestic product fell by 2 percent during the first three months of 2009.

A recession is defined by two consecutive quarters of negative economic growth, according to Eurasianet.org.

## **Nazarbayev says SME Support developing Slowly**

Head of state, Nursultan Nazarbayev, noted the slow development of funds allocated for the support to small and medium-sized businesses in Astana.

The president made the statement during a meeting concerning the development of Astana on Thursday, Kazakhstan Today reports citing a presidential press release.

Nazarbayev said the resources allocated for development of small and medium-sized business as part of the anti-recession program are being utilized slowly in Astana.

Allocated funds total KZT 4.3 billion, or a mere 19% of total amount provided for these purposes by the National Fund, according to Kazakhstan Today



## Halyk Bank in \$643 Million Preferred Stock Sale

Kazakhstan's third largest bank Halyk plans to raise \$643 million by selling preference shares, it said on Monday.

Halyk said earlier this month the government, which had bought 21 percent of its ordinary shares, would buy preferred stock worth \$219 million as part of its efforts to boost the crisis-hit banking sector's capital.

In line with Kazakh corporate laws, Halyk is first offering the paper to the existing holders of preference shares, it said in a statement Reuters reports.

## METALS AND MINERALS

---

### Arcelor Mittal increases Social Program Financing

Arcelor Mittal Temirtau JSC has increased its financing of social programs, a message from the company stated.

According to the press release, General Director Frank Pannir decided in November 2008 to create a medical department to improve social and health services for employees.

The department includes the Samal Sanatorium-Dispensary, the Zhartas Sanatorium, the Miner Rest House, a out-patient dental hospital, a mini-polyclinic and a first aid center, according to Kazakhstan Today

## TRADE AND CONSUMER GOODS

---

### Kazakhstan's Foreign Trade decreases 38.8%

Kazakhstan's foreign trade in January - February 2009 amounted to \$9.1 billion, and in comparison with the same period of 2008 decreased by 38.8%, a monthly report from, the Statistics Agency of Kazakhstan stated, according to Kazakhstan Today.

### Kazakhstan strengthens Anti-Epidemic Measures on Border

Kazakhstan has strengthened anti-epidemic measures on its borders to prevent swine flu, a Ministry of Health press release reported.

The Chief State Sanitary Health Officer of Kazakhstan has ordered health officials to monitor the situation and strengthen measures on the border to prevent the disease from taking hold in the country, the press release reported.

A special laboratory has been prepared for carrying out research on swine flu, and thermal cameras have been installed at the international airports of Astana, Almaty, Atyrau, Aktobe, Aktau and Karaganda to detect infected individuals. The Health Ministry is also considering buying the equipment for other airports.

103 individuals have died in Mexico from the swine flu so far, CA-news.org reports.

## PEOPLE AND TRAINING

---

### Kairat Kelimbetov becomes Sberbank Supervisory Board Member

Chairman of Samruk-Kazyna Kazakhstan's National Welfare Fund Kairat Kelimbetov became a member of Sberbank's Supervisory Board, KazTAG reported with reference to a message from the Sberbank.

Supervisory Board of Sberbank consists of 20 members. The Board determines priorities of the bank, dividend policy, decides on increase of the bank capitalization, and other.

Sberbank is the largest banking institution in CIS, is one of the 20 largest banking institutions of the world. It has more than 20,000 branches throughout the country.

The Central Bank of the Russian Federation, also known as The Bank of Russia, is a majority shareholder of Sberbank, owning about 60% of its ordinary shares, according to CA-News



## Vice Chairman of BTA elected

Medet Sartbaev has been elected vice chairman of the board at BTA JSC, Kazakhstan Today reports citing a message from the Kazakhstan Stock Exchange (KASE).

"The KASE reported on the decision of the Board of Directors at BTA to elect Medet Maksutovich Sartbaev as vice chairman of the board of the bank on March 3, 2009," the message stated.

As was reported earlier, Sartbaev was dismissed as vice chairman of the National Bank on March 2 by presidential decree, according to Kazakhstan Today

## Nurzhan Botabaev becomes Vice Chair at BTA Bank

BTA Bank has reported that based on a decision of the Board of Directors at BTA Bank, the board has elected Nurzhan Ergalievich Botabaev as deputy chairman of administration and a member of the Management Board as April 6, 2009, the KASE reports.

## COMMUNICATIONS AND TRANSPORTATION

---

### Kazakh amendments to Internet Regulations contradict OSCE Principles - Andrei Richter

The amendments to the draft law on information and communications, which was debated in the Kazakhstani parliament, significantly restrict the freedom of opinion on the Internet and contradicts OSCE principles, the OSCE Representative on Freedom of the Media Andrei Richter said.

The expert stressed Kazakhstan's commitment to comply with "UN and OSCE standards on the freedom of expression and the freedom of press."

Kazakhstan will chair the OSCE in 2010.

"The suggestion to qualify forums, chat rooms, blogs and other similar internet resources as media outlets is questionable," he said. Richter believes that forcing journalist status on a blog writer or a chat participant and classifying all Internet resources as media outlets will lead to a restriction of freedom of expression on the Internet, which is contradictory to Kazakhstan's commitments as an OSCE member.

Associating Kazakhstan's journalism with blogs and internet-chats will lead to "a deterioration of professional standards, erosion of the principles of journalistic work, an utter rejection of self-regulation and finally a weakening of social responsibility and the role of traditional media in society."

"All these factors will eventually limit the freedom of press in Kazakhstan," said the OSCE expert.

He added the amendments place restrictions on both Internet resources and traditional medial outlets, CA-News reports

### Air Astana to purchase Embraer Planes

Air Astana plans to buy 2 Emraer aircraft for domestic flights, the Managing Director of Samruk-Kazyna and the Chairman of Air Astana Board of Directors Nurzhan Baidautov said.

Baidautov noted the Ministry of Transportation and Communications is currently working with the Kazavialeasing company. If the company gets a loan with the help of the government, it would be able to buy 12 planes, he said.

Air Astana plans to own half of the planes in the country in the next ten years and to increase the number of planes from 21 to 40 by 2020.

Air Astana plans to buy 6 Airbus A320 planes and 6 Boeing 787-7 aircraft, according to CA-News

### Kazakhstan orders Oil Tankers from Russian Shipyard

Russia's Krasnoye Sormovo Shipyard will construct three 13,000-dwt crude tankers for Kazakhstan's KazMorTransFlot (KMTF) shipping company, all to be delivered to the Caspian Sea port of Aktau in 2009-10.



The order follows delivery by Krasnoye Sormovo Shipyard last November of the tanker Zangezur to Azerbaijan's Caspian Sea Shipping Co. for transporting Kazakh oil to the Sangachalsky terminal near Baku for export via the Baku-Tblisi-Ceyhan (BTC) pipeline.

The Krasnoye Sormovo Shipyard will deliver the first tanker in this year's second half, while the other two vessels will be constructed in the first or second quarter of 2010, according to Oil & Gas Journal.

## REAL ESTATE

---

### Nazarbayev urges Continuous Development of Astana

The Conference on the Further Development of Astana with the participation of the president is underway at the Palace of Independence.

While opening the conference, the head of state noted that the development of Astana has always received the close attention of the government.

"Despite needing funds, the government is providing required money to ensure the development of the city. The construction must be continued; every scheduled item must be completed. We will chair the OSCE next year, and afterwards we plan to chair the Organization of the Islamic Conference. Astana will host a lot of meaningful events. The leaders of various denominations will gather here this year," he said, according to Kazinform.

### Tasmagambetov draws President's Attention to Two Kuat Projects

The only remaining problem in shared construction in Astana involves two projects previously conducted by the KUAT Corporation, Astana Akim Imangali Tasmagambetov, said at a meeting on the development of Astana with the participation of President Nursultan Nazarbayev, Kazakhstan Today reports.

"BTA and Kazkommertsbank have not reached an agreement on exchanging mortgaged property, which is preventing starting financing in full."

"This issue is being resolved at the government level. The prime minister assigned ordered (relevant bodies – KNL) to take this issue under their special control ...," the akim concluded, according to Kazakhstan Today

### Nazarbayev signs Real Estate Registration Rights Amendments

President of Kazakhstan, Nursultan Nazarbayev has signed amendments to the law on the state registration of real estate rights, Kazakhstan Today reports citing a presidential press release.

According to the press release, the amendments are designed to improve procedures for the state registration of real estate rights.

The text of the law has been published in the official press, according to Kazinform.

### Astana to strengthen Control over Construction Quality

Control over quality of construction of buildings in Astana and the observance of fire safety measures should be strengthened, President Nursultan Nazarbayev stated during a meeting on the development of Astana, Kazakhstan Today reports citing a presidential press release.

The president reportedly demanded all public services to strengthen the monitoring of construction quality for all ongoing projects in the capital, and to ensure construction companies are obeying all fire-safety laws and regulations, especially in multi-storey buildings.

Nazarbayev also gave a number of instructions regarding progress on the construction of facilities such the Khan Shatyr Trade and Entertainment Center, the St. Petersburg Shopping Center, the 3,500 seat Universal Film and Concert Hall, and the M-3 bridge over the Irtysh River, according to Kazakhstan Today