



**Address of the President of Kazakhstan
Mr. Nursultan Nazarbayev
to the Nation of Kazakhstan**

**New Kazakhstan in the New World
March, 2007**

I. The 10th anniversary of the “Kazakhstan-2030” Strategy.

Having built a solid foundation for economy and sovereignty, Kazakhstan is confidently entering a new stage of development.

**Dear people of Kazakhstan!
Distinguished members of Parliament and Government! Ladies and Gentlemen!**

A new Kazakhstan, which we have been consistently building together starting from the first day of our independence, is confidently moving ahead, finding its unique way of development and winning recognition and prestige in the international community year by year.

Today, when we have already laid down a solid foundation for our economy and sovereignty we are confidently entering a fundamentally new stage. This will put further development of Kazakhstan on a sustainable, modern, long term economic, social, political and administrative basis.

Today, I am going to present my vision of development of our country and society. Realization of these goals will allow Kazakhstan to make a truly historic breakthrough.

I will point out specific measures which will help our country enter the community of the world's 50 most competitive countries, which were mentioned in my address last year.

In 1997, you supported my Strategy of Kazakhstan's development until 2030, which outlined the vision of our society's prospects and the mission of our state.

This was a great decision of a fledgling young independent country. I know at that time there were many doubts about this Strategy.

As you remember, at that time our baggage consisted mainly of the most pressing serious social and economic problems and just short first experience of sovereign development and liberal reforms.

At that time, ten years ago, we made the right choice.

Starting from that moment, Kazakhstan has been consistently moving ahead mastering one by

one the theorems of market economy and axioms of democratic development.

We laid down the foundation for a completely new economic system, a democratic constitutional state, strengthened modern social institutions, and significantly changed the quality and standards of living.

We maintained internal stability, ensured a sustainable social basis for development, and built the best economy in the region. Kazakhstan has become a full-fledged and responsible member of the international community fulfilling important functions of maintaining geopolitical stability and international security in our region.

We are no longer a third world country. This is the main achievement of our work for the last 10 years.

Now I would like to outline our main tasks for the next decade.

II. Improving the quality of life in Kazakhstan

Our goal of doubling GDP per capita in comparison to 2000 is quite achievable next year. This is not an end in itself and not just a convincing indicator of our economic growth, this is our real capability to make the life of the people of Kazakhstan better.

During the last several years, as you know, we were successful in resolving a number of important social issues which undoubtedly improved the quality of life.

We increased scholarships for students and gave them educational grants and loans. We steadily raise salaries of civil and public servants. We distribute monthly allowances to poor families for children under 18 and also special state allowances to mothers in large families. The issues of free medicine provision for specific categories of children and teenagers are now being resolved.

Annually, pension payments are being indexed and increased. A differential raise of pensions in accordance to former length of service has been carried out and it has positively affected more than one million people. Pensions of veterans of law enforcement bodies were also raised. All pensions and social benefits are being paid on time, month in and month out.

As it was promised, steady economic development allows us to continue improving the well-being of the people of Kazakhstan. These are the social results of our policy.

Today, I instruct the Government to continue its work on improving the well-being of our people. For these purposes, we will:

First, attaching exclusive importance to social security of maternity and childhood, double the amount of the state allowance paid in connection with the birth of a child up to 34,740 tenge starting on January 1, 2008;

Increase monthly childcare benefits for a child less than one year of age:

for the first child - up to 5,790 tenge, an increase of 177%;

for the second child - up to 6,369 tenge, an increase of 167%;

for the third child - up to 6,948 tenge, an increase of 159%;

for the fourth child and after - up to 7,527 tenge, an increase of 153%.

Additional budget expenditures to support families with children will amount to 9.5 billion tenge.

Previously taken steps allowed securing stable population growth in our country. While in

2000, 220,000 new children were born, in 2006 this number was 290,000. Just in 2005, natural population growth because of new births amounted to 121,000 people.

I am confident the measures outlined will result in still greater positive demographic changes.

Second, introduce obligatory social insurance of pregnancy, childbirth, and maternity for employed women. In addition, payments to their pension funds should be made during the period of maternity leave and child raising leave till a child reaches the age of one year.

These welfare payments shall be made from the State social insurance fund which is to be formed through the redistribution of the social tax. This will require additional 9.2 billion tenge from the national budget.

Third, raise the basic pension rate and, in the next several years, make sure its level is equal to 40% of the minimum cost of living. By doing so, we ensure for the first time correspondence of the pension provision in Kazakhstan to the international standards.

This will affect more than 1,675,000 recipients of basic pensions, and the basic monthly pension in 2008 will be increased approximately by 1,000 tenge, or by more than 35%. The minimum pension payments (basic plus minimum cumulative pension) in 2008 will be increased by around 1,500 tenge, or 15%, per month.

Fourth, in order to provide fairness in calculating pensions depending on former length of service there is a need to change income limit set by pension legislation, raising it from 15 monthly payment rates up to 25 monthly payment rates.

Approximately half a million pensioners (483,000 people) whose pensions were reduced by legislative limit of income considered in pension calculation will receive a notable increase to their pensions.

Average amount of the cumulative pension will be increased up to 13,604 tenge, or by almost 25%. Maximum amount of cumulative pension will be increased up to 21,713 tenge in 2008, or by 76%.

Fifth, in order to keep purchasing power of pensions, continue indexing pension payments and do it with 2% advance coefficient compared to the expected growth of the consumer price index.

These measures will require additional budget expenditures of around 55.3 billion tenge.

Sixth, since January 1, 2007 salaries of civil and public servants have been increased by 30%. There is a need to continue working on further improvement of payment system for people whose wages come from the national budget.

Seventh, in order to raise the status, attract human resources and strengthen personnel in sectors such as education, social security, public health, culture and sport, I believe a healthcare allowance equal to monthly salary paid before annual leave should be introduced starting from January 1, 2008.

Just in 2008, this will cost the national budget 30.6 billion tenge.

Eighth, during the last several years a question was raised repeatedly about social protection for the people who retired before January 1, 1998 after working in harmful and severe conditions.

During my meetings workers of plants and factories asked this question many times. I do understand them. I have been through this myself. In the past, we resolved the issues with the people on the List No.1. Now, we have to resolve the issue of the List No.2. There are about

28,000 workers of this job category in Kazakhstan. I think now we have a real opportunity to come back to the solution of this problem.

We are able to introduce a special allowance for this category equal to the amount of eight monthly quantitative indicators. For this purpose more than three billion tenge will be required annually. It is necessary to find this amount and to provide payment of this special benefit to recipients on the List No.2 starting from January 1, 2008.

Thus, financial requirements for the increase of all social allowances mentioned above for 2008 will be about 108 billion tenge.

Today, our country has the opportunity to allocate these great funds to improve social wellbeing of Kazakhstan's citizens. And we will use this opportunity.

Ninth, I instruct that 100 schools and 100 hospitals be built within three years in the particular regions of the country that need these objects most. We must consider social infrastructure development as a task of strategic importance. I think we are at the point of the necessity to construct a mechanism for social infrastructural development with the help of public-private partnerships.

III. New stage of development for Kazakhstan - Accelerating comprehensive modernization

Steady implementation of the "Kazakhstan-2030" Strategy ensured a solid foundation for our further progress. We have all grounds to move ahead even more successfully, and we will not miss our historic chance.

Comprehensive accelerated modernization of Kazakhstan was chosen for this purpose.

This is the only right direction for our future development.

In order to ensure the deserved place for Kazakhstan and its people in the modern world, to improve well-being and substantially increase living standards of all our population we have to enter and secure our position on the international markets.

Taking into consideration real conditions in Kazakhstan and the region, using the experience and achievements of the most developed countries in the world, we have to:

First, accelerate modernization in those sectors where we achieved certain success.

Second, modernize all sectors of the economy and social life in Kazakhstan without exception.

IV. Competitiveness is the key to Kazakhstan's successful integration into the world economy and community

That is why last year we outlined and started to work on our national project. It is the accelerated strive toward joining the community of the world's 50 most competitive countries and ensuring Kazakhstan's permanent presence among its members.

The main requirement for that is raising a quality of goods and services in Kazakhstan to best international standards.

Still, this is not enough. In a pragmatic and conscious way we have to identify and use our real and prospective competitive advantages at all levels of our economy, which are available today and will be potentially possible in the future.

Consistency is the main rule for our fast development in the modern world for the next ten years.

All prerequisites are available to us.

We possess vast territory, favourable geographic, transport and communications location, and considerable natural resources.

We have achieved a leading role in the regional economy, constructive relations with international partners, political, social and economic stability.

V. Main goals of the New stage

To make Kazakhstan a truly integral and dynamic part of the world markets for goods, services, labour resources, capital, modern innovations and technologies we have to fulfill ten main tasks.

The first task is to not simply achieve and maintain sustainable development of our economy, but to manage its growth.

We need to design and implement an integral strategy which will secure sustainable competitiveness of our economy. Implementation of this strategy should be strictly controlled.

This strategy should be based on specific competitive advantages of particular sectors and industries of our economy and take into consideration the world development trends and the state of international markets.

We should not just use the “accumulated” economic growth, but need to learn how to manage it ensuring its transformation into economic development at the new level of quality.

We have to develop a fundamentally new approach to industrialization in Kazakhstan which has to meet conditions and requirements of international markets.

Based on restructuring of major monopolies and development of relations on competitive basis we should limit the areas of natural monopolies.

In sectors of economy where natural monopolies are preserved, serious work on tariff and technical regulations with assistance of sector regulators lies ahead.

We are obliged to get to a new level of stability and competitiveness of the financial sector under conditions of liberalization.

We have to establish an effective stock market. Its development is impossible without attracting people to actively invest their savings in securities.

The Government should conduct a large scale education campaign in the society on the basics of investment.

Joining the World Trade Organization on terms favourable to Kazakhstan is a goal we must achieve.

We need an accelerated and comprehensive introduction of technical standards.

This is my major assignment for the Government. It is its direct obligation and responsibility before our people.

The second task is to achieve qualitatively new successes in regional economy and ensure full-fledged participation in the global economy.

We can turn Kazakhstan into a “regional locomotive” of the economic development and make it a successful player in the world economy.

We need to have a minimum program and a maximum program for identifying and exploring real niches for Kazakhstan in the world economy, participating in large scale projects with foreign partners as well as for a comprehensive and responsible support to participants of our economy which should also include provision of qualitative infrastructure services.

Having said that, our main attention should be focused on markets of Russia, China, Central Asia, Caspian and Black Sea regions.

Economic integration in the framework of the Commonwealth of Independent States, the Eurasian Economic Community, and the Shanghai Cooperation Organisation remains a major target in trade. We propose moving toward the establishment of a Eurasian Economic Union of States making it beneficial for our other neighbours to join.

Today, consolidation of efforts between private business and state for establishing and overtaking new niches in the world markets by our goods, services and hopefully advanced ideas is acute as never before.

We should clearly define a role and place of state holdings in the formation of a competitive economy.

I lay the responsibility for fulfillment of this task on the Government with direct participation of state holdings.

The third task is to improve effectiveness of the extractive sector.

We intend to further continue responsible and mutually beneficial energy policy.

Further development of hydrocarbons sector, attraction of foreign and local investors should be directly linked to economic diversification and through such a framework the most important tasks of establishing new promising productions should be solved.

We should insist that our partners working on exploration of Kazakhstan's richest subsoil resources turn to the needs of the country and take active participation in diversifying of our economy, surely on the market principles.

I assign the Government to conduct necessary activities.

Companies assisting us in that issue will benefit from our support. First of all, we proceed from the national interests of Kazakhstan.

At the same time we also ensure stability, predictability and long-term interests of our neighbours and international partners to whom Kazakhstan supplies energy resources.

It is high time to develop a comprehensive strategy for further strengthening of Kazakhstan's position in the regional and world energy markets.

A major issue of development of our energy and petrochemical sectors is an improvement in payoff of these sectors through growth in added value of energy products. Management of priority sectors such as the petrochemical sector, gas resources, and energy export routes should become especially effective.

This is a requirement to all participants of the market, but most of all to the Ministry of Energy and Mineral Resources and to the "Samruk" State Holding.

The fourth task. It is especially important to accomplish economic diversification and development of non-extractive sectors of our economy.

The Government should have its own general strategy for realization of breakthrough investment projects in priority sectors of non-raw materials economy.

It is time to evaluate effectiveness of implementation of the Strategy for Industrial and

Innovative Development based on new economic conditions and priorities.

It is necessary to formulate requirements and recommendations to formation of industrial diversification plans. It is time to move from pilot financing of separate projects to full scale financing of diversification.

This is a responsibility of the Government, akims and state holding companies which should ensure active participation of small and medium businesses.

The fifth task is to develop modern infrastructure in accordance with our new role in the regional and global economy.

We should clearly foresee perspectives of development of strategic infrastructure and significantly improve the quality of management in that sector, primarily taking into account the competitiveness of our local companies – consumers of infrastructure services and interests of our international economic integration.

We need to define regional centres of economic growth and competitiveness, directing their development in the economic interests of the country.

Our growing economy needs completely new approaches in management of electric resources and establishing the basis for nuclear energy in Kazakhstan.

This is a responsibility of regional akims, Ministries of Industry and Trade, Transport and Communication, Education and Science, Healthcare, Energy and Mineral Resources, as well as state holdings.

The sixth task is modern education and professional retraining, formation of foundations for knowledge based economy, utilizing new technologies, ideas, and approaches, and the development of an innovative economy.

The major criterion of success in reforming education is achieving a level when any citizen of our country can become a specialist in great demand in any country of the world through receiving necessary education and qualifications.

We must achieve provision of quality educational services at the international level across the country.

We need to establish an effective system of accreditation and attestation of educational institutions corresponding to international standards.

Priority development of technical and engineering sciences in the higher education is a requirement for a new stage of development.

We shall conduct a unified state policy aimed at introduction of high technologies and support for innovations.

Practically all successful modern states actively integrated in the world economic system have relied on a “smart economy”. And for its formation it is necessary, first of all, to develop one’s own human capital.

Fulfilling this task is the responsibility of all participants of our collective Kazakhstan Project but, first of all, the Ministry of Education and Science and the Ministry of Industry and Trade.

The seventh task is targeted social care and development of social sector based on market principles.

We will continue our policy of supporting those who really need protection but based on market principles in areas such as:

- acquisition of housing and development of real estate market. During the past two years of

implementing a state program of promoting housing construction, we have built more than 11 million square meters of housing. In 2007, we will build another seven million square meters of housing. In three years, 160,000 families, or more than half a million people in Kazakhstan, will have new homes. The program is being implemented 30 percent faster than planned;

- improving quality of healthcare services and developing a high tech system of healthcare;
- improving the cumulative pension system and creating new jobs.

This is the responsibility of state and, mostly, of the Ministry of Labour and Social Protection and the Ministry of Health.

Moreover, I assign the Government, jointly with the Akimat (Mayor's Office) of Astana, to start accelerated construction of housing in our capital for public sector employees through the system of housing savings.

It is necessary to provide the medical and educational clusters which are being created in our capital with qualified personnel.

The eighth task is the modernization of the political system in accordance with the logic of a new stage of our development.

In 2007, we are starting a new stage of further systematic democratization reforms.

The State Commission on development and concretization of democratic reforms programme, having summed up the recommendations of political parties, nongovernmental organizations, experts and citizens, prepared concrete proposals on further political reforms in our country.

It is important that these proposals are not simply copies of other countries' experience or abstract theories. They take into account the needs of our society and Kazakhstan's realities. We are forming our own model of political reforms and our own Kazakhstan Way of political transition.

Its distinct features are keeping the presidential system, phased introduction of reforms, balanced decision making, national dialogue and consolidation of major political forces.

To ensure legal basis for these proposals, a group of legal experts is already preparing proposed amendments both to the Constitution of our country, and to certain laws.

In general, democratic reforms in the coming period will be conducted in the following dimensions.

First is the broadening of authority of the Parliament.

The Parliament's authority will be strengthened in the formation of the Constitutional Council, the Central Election Commission, the Accounting Committee and, generally, in matters of approving and controlling the budget. The Parliament's role in the formation of the Government will also be strengthened.

Second, actions aimed at increasing the role of political parties will be taken. Broadening the authority of party factions in the Parliament as well as financing of political parties from the national budget are proposed.

We consider the issue of broadening party lists during the elections to Majilis.

Third, one of the major directions of reforms will be the improvement of the judicial system. Starting this year we are introducing jury trials. A decision was made to transfer the authority to issue arrest warrants to the courts. We will gradually move to legal proceedings of a modern and open type.

Fourth, the development of local representative bodies. We will strengthen the power of

maslikhats (local assemblies) by granting them additional authorities. The revision commissions of maslikhats will be strengthened.

In time, maslikhats at a district level may serve as a foundation for local self-government.

A major aim of political reforms for us is movement toward such a modern democratic executive system which will be able to provide effective management of the society and the country, while at the same time preserving political stability in the country and maintaining all constitutional rights and freedoms of our citizens.

A strong government authority and democracy are not antipodes. Democracy develops only where law is upheld.

I call on the Parliament and all institutions of civil society to collaborate in achieving this task.

The ninth task is the accelerated realization of an administrative reform with consideration of international experience.

We are building a qualitatively new model of the government management based on principles of corporate management, result orientation, transparency and accountability to the society.

Our goal is the modernization of the Government, establishment of professional public service and effective structure of management which should adhere to requirements of main consumers of public services, our citizens and businesses.

I lay the responsibility for implementing this task on the Government.

The tenth task is promoting achievements and possibilities of a new Kazakhstan in the Central Asian region and the world community.

Today, we cooperate with other countries on a broad range of acute issues. These include energy security, solution of vital social and economic issues, the fight against terrorism, as well as fighting epidemics and environmental catastrophes. We will continue to further strengthen our role and status as a responsible member of the regional cooperation and international community.

This is the responsibility of all political, economic and public leaders but mostly of our Ministry of Foreign Affairs.

In order to present the New Kazakhstan in 10 years we need to provide timely and adequate responses to challenges of the new time.

That is why I assign the Government to undertake all the above mentioned tasks which advance the essential provisions of the Kazakhstan-2030 Strategy at a new stage.

For their realization, I have defined 30 major directions of internal and external policy. This is our strategy for a new stage of development of Kazakhstan. They are laid out in the second part of my Address to the People of Kazakhstan.

The timely organization of work, clear coordination of actions between different branches of state, business community, members of academic and applied science institutions, nongovernmental organizations, media and, certainly, the support of our citizens, are all essential parts for success.

VI. Kazakhstan's patriotism and political will are the most important factors for building new Kazakhstan

Dear people of Kazakhstan!
Distinguished members of Parliament and Government!
Ladies and Gentlemen!

Recently we celebrated the fifteenth anniversary of our independence. The path we passed was commendable, and results of our joint decisions and achievements are impressive.

All these create a basis for a new sense of patriotism of all Kazakhstan, based on rightful pride and confidence that our Fatherland, our multiethnic and multi religious society and our children have promising prospects for the future.

There are many bright examples in history of nations achieving higher levels of development when they combined their efforts and will for realization of a historical scale project.

Dear compatriots!

When we are together we are successful. That is why while presenting you with the strategy for the next decade I rely on your support. And I know your support will be solid, as always. That means that together we will achieve our goals.

Thank you for your attention.

THE “KAZAKHSTAN-2030”
STRATEGY AT A NEW STAGE OF DEVELOPMENT OF KAZAKHSTAN

30 Major Directions
of Our Domestic and Foreign Policy

Dear people of Kazakhstan!
Distinguished members of Parliament and Government!
Ladies and gentlemen!

In 1997, 10 years ago, in the first annual address to the people of Kazakhstan a vision of the future of our society and mission of our state was presented in the Strategy of Development of our country till 2030. We recognized that we should know and understand precisely what we wish to build and what the main direction of our development should be. We were sure that having defined correctly our priorities, having chosen a corresponding strategy, having shown the will, patience and purposefulness, we can successfully overcome any obstacles along our path. And we were not mistaken.

Today, it is possible to declare with the full responsibility: Kazakhstan has successfully finished a transitional stage and confidently enters a qualitatively new stage of its development. More important societal issues are on the agenda now, dictated both by the logic of development of our country and by a wider global context. Modern challenges and threats

urgently demand more dynamic modernization of all systems of social, political and economic relations which will allow Kazakhstan to keep leading positions on the post-Soviet domain and in Central Asia, and to become one of the most competitive and dynamically developing states in the world.

As the main priorities of a new stage of comprehensive modernisation of Kazakhstan I have defined 30 major directions of our domestic and foreign policies.

I. State policy directed at Kazakhstan's successful integration in the world economy through defining and using existing and forming new competitive advantages

The first direction - The development and realization of a complete strategy directed at maintaining steady growth of competitiveness of the economy

The global system of the world economy is a well developed and well functioning mechanism working by its own rules. We should work by these rules too. Nobody is especially looking forward to welcoming us in the world markets, but we have to become in demand and consolidate our position. For this purpose it is necessary:

First, to conduct a systematic analysis, monitoring and assessment of major branches of Kazakhstan's economy which have access to foreign markets in terms of the level of their export profitability and factors defining that. First of all, I mean high efficiency, low overhead expenses, availability of resources and materials which other countries do not possess, highly skilled labour force, exclusive technologies and so on. Such a work has not yet been fully implemented;

Second, to do a comparative analysis of competitive industries and sectors in other countries, as well as of trans-national corporations which are operating in the same international markets; to assess factors which lead to lagging behind of Kazakhstan's exporters and economic sectors or, on the contrary, those factors which can give them competitive edge;

Third, to determine advantages and disadvantages of certain export industries and to define priorities where it is necessary to support existing advantages and eliminate problems.

At the same time, we should evaluate the efficiency of actions already undertaken to develop promising industries, including for the domestic market, and consider opportunities of development of their export potential;

Fourth, proceeding from such systematic analysis, we should develop breakthrough macro-projects capable of changing the structure of our industry with significant added value, multiplicative effect, export and resource saving potential;

Fifth, it is important to provide a goal-oriented system for supporting access of Kazakhstan's businesses to foreign markets.

I assign the Government to work out and implement a comprehensive Strategy of achieving a new quality level of competitiveness and export capacity of the economy.

On this basis, we should prepare an appropriate Action program as well as an assessment system of intermediate and final outcomes. It should contain recommendations prepared jointly with the "Atameken" National Union of Entrepreneurs for large, medium and small businesses, information on necessary legislation changes and real measures of state assistance in particular

sectors. Proceeding from these results, we will be able to develop modern approaches to future restructuring of our economy.

I assign the Government to establish a National Council on competitiveness and export which must become the coordinating and working body.

The second direction - Searching for, creating and gaining Kazakhstan's "niches" in the system of the world economy

First, we need to expand areas where we can already use our achievements and successes. The main attention should be focused on markets of Russia, China, Central Asia, the Caspian and Black Sea region.

Second, we need to speed up the search for new export niches, and consider seemingly non-attractive and non-traditional ones as well. Our foreign partners can be engaged in this work on mutually beneficial basis.

Third, the development of new industries in Kazakhstan, including high technology ones capable of reaching a level of international competitiveness, will help to strengthen our positions in new export "niches".

For example, last year, as you know, we launched a unique bio-ethanol production facility in North Kazakhstan which has no analogues in our CIS neighbourhood.

This year the construction of the first integrated petrochemical complex will start in the Atyrau Oblast (Region) which will allow developing petrochemical industries of international levels in the future. Today, the Atyrau oil refinery can already produce gasoline and diesel fuel meeting European standards.

Fourth, we have to analyze our possibilities for establishing and developing new industrial production in border areas, where our neighbouring states have already created trade, industrial, financial and service structures. Such breakthrough projects can be linked, for example, with the economic growth in China and South East Asian countries. It is expedient to establish enterprises at the border with China which could process Kazakhstan's raw materials and supply them to Chinese free trade zones as well as supply China with energy resources, fuel, etc. In the future, we could develop different services there such as transportation, distribution of goods and materials and technical maintenance by employing capabilities of the "Khorgos" international border cooperation center and establishing the "Khorgos – Eastern Gates" trade and economic zone.

The Government, primarily, the Ministry of Industry and Trade, as well as state holdings should design and launch a program to expand and occupy export "niches" for Kazakhstan's goods and services offering recommendations to our business community.

The third direction – Participation in large scale and "breakthrough" projects

Our economic achievements have determined Kazakhstan's leadership in the Central Asian economy.

Now, we have the strength to turn Kazakhstan into a "regional locomotive" of economic development and make it a successful player in the world economy.

First, the Government should create an information system for our companies on prospective regional projects and help them participate in such initiatives and receive state contracts on a competitive basis. These can be high-tech industries, infrastructure projects and others.

Second, it is necessary to stimulate the cooperation of our large corporations with transnational companies for the purpose of implementing concrete “breakthrough” projects.

Third, Kazakhstan will promote the integration of regional financial markets around the Almaty financial centre, creating commodity markets in the region on the basis of modern technologies of international trade such as, for example, a grain exchange.

I assign the Government, all relevant bodies and institutions including state holdings with the creation of favourable conditions for Kazakhstan’s transformation into a “regional centre for the provision of goods and services”. However, most importantly, we need to undertake concrete measures to ensure the participation of Kazakhstan’s companies in large regional economic projects.

The fourth direction – Focusing the activity of state holdings and organizing their operations in accordance with international standards

We should not allow our state holdings to become uncontrollable multi-faceted conglomerates which in many cases are not competitive on international markets. We should avoid the danger of their transformation into simple financial “sinecures” with fixed system of benefits. It is necessary to make sure the state holdings do not substitute the activity of constituent national companies and organizations. On the contrary, they should consolidate such economic activity on a new level, end duplication of functions and the lack of productivity of internal competition and its closeness, and should seek to expand those companies’ effectiveness and transparency.

State holdings should primarily occupy a leading place in ensuring competitiveness and realization of national strategy aimed at Kazakhstan’s successful integration into the world economy.

First, I assign state holdings and corresponding state bodies to carry out a critical analysis of available analytic, marketing and technological achievements and to clarify further steps indicating final results and timescale for achieving them. The process of “niche” formation for our exporters and full international integration demand clear tasks and a plan of realization of concrete “breakthrough” projects.

Second, state holdings should work actively with international companies in creating joint projects and assist them in entering Kazakhstan. Such joint work is particularly important for us in non-extractive sectors.

Third, state holdings should play their role in diversifying the economy, involving, stimulating and supporting Kazakhstan’s small and medium sized businesses in this process.

Fourth, in order to accomplish these tasks, it is necessary to set up a plan of restructuring of all state holdings as one common organism as well as to create corresponding goal-oriented, fully functioning, effective, flexible and transparent internal structures. In this connection it is advisable to carry out a functional analysis of effectiveness and structural orientation which form each state holding and then to determine which assets will remain under the control of

each state holding, how they will develop and what kind of assets should be brought out to competitive area.

The “Samruk” Holding

First, the main purpose of “Samruk”, as it manages the state owned companies, is to ensure the growth of their value.

Second, I entrust “Samruk” management with speeding up the preparation of a unified strategy of its own development defining activity of state companies it incorporates.

Third, “Samruk” should apply its capacities and resources to carrying out those tasks and projects which would produce a competitive edge for all national consumers of infrastructural services and relevant sectors of the economy in external markets. Namely, businesses and citizens must finally obtain unconditionally higher quality and, if feasible, cheaper energy, railroad, telecommunication and communal services.

Fourth, “Samruk” should create a clear scheme of drawing investments from pension funds, development institutions and private investors, both Kazakh and foreign, to secure its strategy.

The “Kazyna” Fund of Sustainable Development

“Kazyna” should formulate and implement a common strategy covering all institutions and organizations it incorporates. The goal for all should be one and consist of providing assistance and motivation to raise competitiveness and exporting capabilities of Kazakhstan’s small, medium sized and large businesses, ensuring international breakthroughs and favourable conditions for finding export “niches” and developing infrastructure.

First, the “Kazyna” Fund must deliver modern services with the view of raising competitiveness and support of most promising exports, from financing applied research to promoting Kazakhstan’s goods to foreign and domestic markets. The Fund should become the state operator in providing export support services.

Second, “Kazyna” should define how it can stimulate the introduction of new technologies and develop applied science with respect to enhancing competitiveness and exporting capacities of relevant priority sectors and companies.

Third, it is expedient that “Kazyna” provides assistance to our pioneering enterprises and, chiefly, to non-extractive industries, in improving conditions for their foreign trade and expansion of export access, including via structuring finance, export loans, export insurance, etc.

Fourth, it is necessary to comprehensively re-evaluate venture financing for new businesses on a competitive basis which could win them a niche on international markets and keep steadfast positions there. Today, “Kazyna” should possess a wide range of instruments for setting up new competitive production and sectors of Kazakhstan’s economy.

Fifth, one of the Fund’s major activities should be the invitation to appropriate international companies to set up joint ventures with export potential.

Sixth, the Fund should actively engage domestic and foreign businesses into export oriented special economic and industrial zones, and technological parks.

Seventh, it is necessary to create this year a Fund of funds, involving foreign financial institutions as well.

“KazAgro”

Similar approaches should also underlie the activities of “KazAgro” National holding.

First, the principal goal of “KazAgro” is a systematic solution of issues of raising agricultural productivity, preventing land degradation, improving water usage efficiency and the use of other natural resources of our country caused by outdated agricultural technologies, slow development of agricultural science and fragmentation of small peasant farms, among other reasons.

Second, within the framework of its tasks, “KazAgro” should provide a quality analysis of all branches of agricultural sector, define niches which require development in the first place. For instance, a new market of agricultural products exists and actively develops in the world today in the shape of ecologically clean foodstuffs, new productions, etc.

Third, “KazAgro” is required to develop and implement in the near future systems of financing existing and new agricultural processors with export potential. Such financing should be purpose-oriented and provide replacement for outdated agrotechnologies and the creation of agricultural hi-tech industry. Probably it could be helpful to involve second tier banks as operators in this process.

One of the main tasks of all state holdings, including national companies they incorporate and other organizations, is to put the activity on a systematic approach through international practice of corporate management, accountability and transparency.

They should become a model of corporate behaviour for all businesses in Kazakhstan.

First, operation of state holdings should be organized in accordance with the Corporate Management Code.

Second, it is necessary to raise transparency of state holdings. Society should be informed of these companies’ strategy, their property structure, financial and economic activity results, etc.

Third, state holdings should carry out economic activities, staff recruitment, etc. on the basis of transparent competitive procedures.

Fourth, it is necessary to provide effective work of boards of directors to ensure future strategy and realization of effective control over management, financial and activity results.

Fifth, we expect that annual audit of state holdings, to be carried out by an independent auditor with impeccable reputation, will promote maintenance of a clear and transparent system and public assessment of the activity of holdings.

Such principles should define the work of all state holdings.

I instruct leaders of state holdings to present the development and new structure concepts for the presidential approval no later than August 2007. After the approval of their strategy and structures, “Samruk”, “Kazyna”, and “KazAgro” should start the realization of tasks, and their leaders will be personally responsible for their results.

The fifth direction – Substantial increase of efficiency and macroeconomic returns of the extractive sector

We are going to further ensure a responsible and mutually beneficial energy policy.

Further development of hydrocarbon sector and attraction of foreign and local investors need to be coordinated directly with the economy diversification and through this method solve major tasks of creating new promising industries.

The Government should raise the issue with large investors working with our natural resources

about their greater and concrete contribution to Kazakhstan's industrialization, and if there's a need, initiate relevant legislation.

First of all, we proceed from Kazakhstan's national priorities. At the same time, we ensure stability, predictability and long term interests of our neighbors and international partners.

The time has come to develop comprehensive strategy of further reinforcing Kazakhstan's positions in the regional energy sector.

First, the Government together with state holdings should undertake concrete measures to stimulate and ensure access of Kazakh energy exporters to international markets.

Second, the Government should formulate new natural gas industry strategy and create legislative basis for its realization.

Third, the Government should start intensive talks with our neighbours in order to ensure uninterrupted energy supplies, and convince them that it is expedient to create in Central Asia a complex system of state energy networks, and also the Council on energy security which would promote the creation of a market system providing regional and international energy security. It is in the interest of all countries in the region.

Fourth, it is necessary to create an effective legislative basis for reasonable use of our natural resources and solution of problems of environmental contamination, uncontrolled import of outdated and "dirty" technologies, inefficient use of renewable resources, etc.

It is necessary to toughen control over observance of environmental legislation during the development of oil fields on the Caspian shelf. The Government should raise an issue of introducing international certificates on the principle of "green oil" which obliges to respect rigid ecological standards in hydrocarbon extraction.

The main issue of our energy and petrochemical development is to increase profitability of these sectors through raising added value of energy products. Management of priority sectors such as petrochemistry, gas resources, and export energy routes should be especially effective.

First, the Ministry of Energy and Mineral Resources should create and implement programs to modernize and re-equip oil and gas enterprises, create new petrochemical industries. We should develop production with added value, accompanying and adjoining industries for the oil and gas sector.

It is necessary for the Government to staff this Ministry with modern personnel professionally capable of solving the most serious issues in the energy area, the main industry of our national economy at this stage.

Second, the Ministry of Energy, together with other state bodies, should prepare a program of practical measures on switching to energy efficient technologies. The introduction of such technologies, savings programs, natural resources rational use need to be realized with respect for the principles of combination of the best economic, social and ecological factors. Such a program can provide, for example, for the introduction of tough government control over placement and utilization of energy production and consumption wastes, the observance of environmental contractual obligations by entrepreneurs, and the introduction of low waste technologies, etc.

Third, before the end of the year the Ministry of Energy and Mineral Resources should prepare a new development strategy directed at balanced extraction and export in the oil and gas industry but at the same time at exploration and search for new hydrocarbon fields and new

methods of using oil and gas resources.

Fourth, it is necessary to improve the legislative basis and carry out complex monitoring of subsoil management and observance of subsoil user obligations. The Government should exclude bureaucratic delays, reduce the list of certifying documents and simplify the procedure for granting rights to subsoil users.

Fifth, the Government should improve monitoring systems for contractual obligations of large enterprises concerning social obligations and replacement of qualified foreign staff by Kazakh specialists.

The sixth direction – A new level of stability and competitiveness of the financial system under the conditions of liberalization

First, our banks should be prepared for competition in domestic markets as well as in regional and international projects. We have removed a number of restrictions for non-residents on access to our financial system in the framework of Kazakhstan's WTO accession negotiation.

Second, it is necessary to create conditions for providing market justified support to promising sectors of economy by Kazakhstan's banking system and strengthen bank presence in regional economic projects, including public-private partnerships.

Third, to solve an important issue of attracting the capital from strong second tier banks for the realization of national projects, especially energy, infrastructural and breakthrough projects.

Fourth, it is necessary to re-examine the issue of removing unreasonable restrictions in capital movement. This issue needs to be considered in view of the necessity to support the most relevant Kazakhstan's aggregated external debt. Our banks superfluously rely on external financing which can provoke the uncontrollable growth of our country's cumulative external debts.

Fifth, we need to create an effective stock market. Its development is impossible without attracting people to actively invest their savings in securities. It is necessary to carry out a large scale educational campaign teaching our people the basics of investment literacy.

Sixth, further improvement of legislative basis for expansion of electronic banking services will be a factor in electronic trade system development.

The Government, together with the Agency of financial supervision, should prepare a strategy and necessary legislation on carrying out the abovementioned work.

The seventh direction – Accession to the WTO on conditions favourable to Kazakhstan

The strengthening of Kazakhstan's competitive positions in the global economy will be defined by its entry into the World Trade Organization. We have been consistently solving this task for several years and we are close to the end.

First, it is necessary for Kazakhstan's national interests to bring our legislation in accordance with WTO obligatory agreements' norms by the end of the year.

Second, under Kazakhstan's WTO accession process, the Government should defend an acceptable level of internal state assistance to the agricultural sector and realize corresponding adjusting measures preparing industrial enterprises for the effective functioning under WTO

conditions.

Third, it is necessary to develop real, effective and systematic measures to improve customs administration, provide professional conformity of customs service experts to modern demands. We should pursue a policy of openness of the economy, reduction of customs tariff barriers between the countries and establishment of a unified level of external tariffs in the whole region. Our state allocates significant sums to national customs system for realization of these and other tasks.

Fourth, it is necessary to speed up the transition of all legal entities to financial reporting based on international standards.

Fifth, the Government together with the “Atameken” Union should prepare proper recommendations for our businessmen in all sectors of economy in the near future.

II. State policy aimed at management of growth and sustainability of the economy of Kazakhstan through diversification, infrastructural development and creation of basis of hi-tech industry

The eighth direction – Economy diversification and non-raw materials sector development

The Government should pay particular attention to the realization of “breakthrough” investment projects, in particular, in non-extractive sectors of the economy.

We should pass from “accumulating growth” to “growth management” which signifies, first of all, that we carry out investment policy aimed at infrastructure development and further industrialization of Kazakhstan’s economy.

First, the Government should create conditions for the development of new technological and system-forming businesses with real multiplicative effect. Such businesses can include, for example, oil and gas machinery; special alloys, biochemical and petrochemical production; processing of foods, textiles, and agricultural products, the creation of construction materials industry and others.

Second, the Government should realize programs of sustainable agricultural complex development in the agrarian sector due to the increase in productivity and profitability of its branches, as well as development of domestic production competitive advantages.

Third, it should improve legislative basis and carry out complex monitoring of subsoil management and subsoil users obligations implementation.

Fourth, the Government should prepare measures for effective development of Kazakhstan’s service market in sectors of subsoil management, machinery and heavy industry.

I assign the Government and state holdings, in dialogue with the “Atameken” Union of Entrepreneurs, to formulate requirements and recommendations for the largest companies on elaboration of their industrial diversification strategies.

The ninth direction – Carrying out of a unified state strategy aimed at high technologies introduction and support for innovations

First, it is necessary to carry out technology transfer procedures actively and deliberately

proceeding from our competitive advantages. It is necessary to promote the creation of a network of design centres and organizations which will both import the existing technologies and adapt them as well as introduce homeland scientific research into the industry.

Second, it is necessary to create structures ensuring the funding of projects in high technology including the basis of venture financing. It is impermissible that Kazakhstan's scientists' best projects are "leaving" for abroad.

Third, it is necessary to stimulate innovation by Kazakhstan businesses. The greatest efforts in research and design should stem from the private sector.

Fourth, it is necessary to systematize the state order for research works so that these projects' results are useful in the real sector of economy.

Fifth, it is necessary to promote the development of technological sector by strengthening protection of intellectual property and trademarks. It is necessary to create a bank of innovations and patents accessible for acquaintance and financing. This is the task for "Kazyna".

The tenth direction – Formation and the beginning of work of regional centres for economic growth and competitiveness

The coordinated formation of regional centres of economic growth and competitiveness through the priority development of leading cities possessing significant economic potential plays a crucial role in the regional development. The Government should determine such centres by studying their development facilities as national economy growth centres.

Our capital Astana has certainly become a major centre of economic growth having changed in only one decade from a country town into a modern mega-polis with vast opportunities and not only for Kazakhstan's citizens.

We should further develop these opportunities if we want to really compete with other world recognized capitals.

First, it is necessary to develop at least two new centres in Astana – on the right and the left banks of the river in the southeast direction.

Second, it is important to accelerate the construction of National biotechnologies centre's new scientific complex in Astana.

Third, the Government should continue realizing the program to create a medical cluster in Astana on the basis of new world level national scientific innovative medical centres.

Fourth, it is necessary to create a Eurasian water centre in Astana to solve in their entirety the issues of research and protection of water resources on the continent.

I assign the Akim of Astana and the Government to determine concrete indicators of social and economic development which can be achieved in the mid- and long-term perspectives.

The issue of social-entrepreneurial corporations remains crucial.

We set ourselves a goal of regional integration for Kazakhstan through the development of infrastructure, manpower mobility and the growth of competitiveness of our internal regions and, on this basis, we intend to generate the "points of growth".

First, this task should be realized in view of Kazakhstan's transformation into a regional "economic locomotive" as well as the centre of modern services and hi-tech industry. Using the

public and private sector consolidation process, it is necessary to create specific “centres of growth” on the basis of targeted regional plans of development – for example, Astana city, Akmola and Karaganda regions taking into consideration the already created “Saryarka” Social-Entrepreneurial Corporation.

Second, such “centres of economic growth” should be equipped with all necessary social infrastructure with the emphasis on elementary, secondary and professional education.

Third, “centres of growth” need to be created on the basis of development of network of social-entrepreneurial corporations. Their activity is aimed at investment and innovative projects in agriculture, transportation and logistics and other sectors. The Government should transfer relevant state property to social-entrepreneurial corporations, and solve issues of those corporations’ development with the participation of the business community.

The Government and the Akims should prepare concrete proposals on locating industrial enterprises and zones in these centres in view of our plans on industry, trade and high technologies development.

The eleventh direction – Strategic infrastructure development on the basis of public-private partnership as well as improvement of management quality in this sphere

I assign the Government, together with the Akims, to prepare a modern infrastructure development plan covering the following tasks:

our integration into the international infrastructure market;

development of centres of regional economic activity;

technological interaction between various types of transportation;

cost reduction for business and citizens.

For its realization, we should actively use state holdings and form an infrastructure development mechanism on the basis of public-private partnerships.

First, we need to purposefully support, update and expand transportation infrastructure. We should use as much as possible the country’s transit potential, and for doing this we need to integrate our transport structure into the world system.

Second, it is necessary to actively develop air transportation. We should bring our airport infrastructure and aviation in accordance with the national economy and international requirements.

It is necessary to create all conditions for development of competition in local air travel market to increase quality, air services safety and decrease costs. Air transport should become more accessible to citizens.

A relevant infrastructure development program should be worked out by the end of 2007.

Third, it is necessary to modify the country’s network of railways through stage-by-stage transformation of rail transportation and its management on a competitive basis. Also, it is necessary to launch and expand the network of railway logistical lines which will meet present and future demands for such services. The railway sector should comply with world standards on safety, speed of delivery and service, and tariffs should correspond to the well-founded sector requirements.

The Ministry of Transport and Communication, together with the “Samruk” state holding,

should review the current Rules of railway transportation and develop new ones, calling for higher level of economic development.

Fourth, it is necessary to carry out a consistent work on demonopolization and free competition development in the telecommunications sector. Finally, it is necessary to finish work on tariff readjustment in order to attract investors into this sector. It is necessary to create conditions for internet services cost savings, thus increasing the global network penetration into our schools, enterprises and homes.

Fifth, we need to be careful in water transportation infrastructure development. The intensive development of the Caspian shelf calls for new ports and marine vessels. It is expedient to implement programs for creating new dock yard capacities and modernization of existing sea and river ports.

Sixth is the motor transportation infrastructure development. Last year, we began implementing the highway development as part of the existing program up to 2012. For the first time the government allocates almost 10 billion US dollars in financing road construction. This infrastructure development will also raise traffic safety while reducing road imperfections. Within six month the government should prepare a strategy of bringing main international motorways to international standards. Moreover, within the framework of transport logistical cluster development a highway connecting Western Europe with Western China should be built on the territory of Kazakhstan.

We also need to expand in accelerated manner the local roads networks and improve access to the most distant settlements of Kazakhstan.

The twelfth direction – Development of electric power resources and creation of a foundation for nuclear power energy

Today, the most crucial issue is to provide electric power to Southern Kazakhstan, Karaganda, Aktyubinsk, Kostanai regions and Almaty city.

First, it is necessary to solve carefully the issue of electric power distribution between energy abundant and energy scarce regions with attraction of neighbouring countries' capacities and switching to energy saving technologies.

Second, it is necessary to modernize consistently the power sector, solve the issues of deterioration and shortage capacities, and create conditions for new business development as well as operative equipment expansion and electric power supply networks reconstruction.

Third, diversification of energy sources demands nuclear energy sector's development with the aim of providing resources for the country's stable development. It is necessary to carry out technical and economic feasibility of constructing nuclear power station in Kazakhstan.

Fourth, it is necessary to consider an opportunity to establish an energy stock exchange, based on the example of Norway and Sweden, with bordering states within the framework of the energy union.

I assign the Ministry of Energy and Mineral Resources to elaborate a package of measures to elevate the capacity of existing utility companies, constructing new generating capacities and optimizing the power transmission lines in order to meet energy needs of the regions, up to the end of 2007. Finally, we need concrete steps and consistency in solving the energy supply

problem in the south of the country.

Economic and administrative measures directed at stimulation of an effective use of electric power and also at the development of mechanisms for the introduction of the energy saving technology, including science intensive branches, should become important directions of the work.

The thirteenth direction – Consistent actions on supporting small and medium sized businesses

First, the Government should analyze where and why legislative, administrative and bureaucratic barriers show up on the way of business initiative, then reduce them as much as possible and also exclude the unreasonable reporting of small and medium sized businesses before the state. Also we need to improve tax legislation to stimulate the development of entrepreneurship in full measure and contribute to taking the business out of “the grey area”.

Second, we should finish the work of creating fair competitive environment and equal conditions for all economic players. I assign the Government to carry out comprehensive revision of antimonopoly legislation and create precise mechanisms to uncover the facts of limiting the competition and arrangements between market participants, ulterior monopolization of the key economic branches of our economy and also corresponding recommendations on the use of punitive measures.

Third, we should reduce the spheres for natural monopolies as much as possible. We need to update current and develop new programs of restructurization and development of competitive relations in corresponding branches. Targeting the regulation and control of sectors of economy with natural monopolies such as telecommunications and air navigation, railway transportation and ports, electric power industry, oil and gas transportation and also housing and municipal sectors, is necessary to create independent sector regulators. These structures headed by joint agencies will combine functions of tariff and technical regulation.

Fourth, we should improve the process of creating new enterprises and companies. For example, it is necessary to create such conditions within the framework of “one window” system that a businessman could register a firm within two or three days.

Fifth, we need to use resources of the state and state owned companies more actively as a catalyst to create demand for products and high quality services of small and medium sized businesses on a public and competitive basis for sustainable and dynamical economic growth of Kazakhstan.

Sixth, it is expedient to develop special programs for the development of new businesses on a transparent and public competitive basis where the best business ideas will get financial and technical support for establishment of a new business, for example, for covering legal and consulting expenses. I think this is a task for the “Kazyna” Fund.

The fourteenth direction – The quickest and overall implementation of technical standards meeting international requirements

Kazakhstan’s full-fledged participation in the international economic competition demands reaching international technical standards.

Technical standardization should be considered not only a tool for maintaining quality of products and services, but also an obligatory condition for maintaining competitiveness of our goods and services in the global economy.

Standardization of Kazakhstan's economy should be carried out on the basis of current scientific achievements, technology and practical experience, and determine appropriate solutions to many common economic, sector-specific and intra-industry tasks.

I assign the Ministry of Industry and Trade:

First, to analyze the effects of the law on technical regulation;

Second, to transfer work on the introduction of procedures and rules of international standardization into a practical field within six months.

The fifteenth direction – Strengthening the institute of private property and contractual relations

I would like to stress once again the need to continue work on realization of a complete program of strengthening private property and contractual relations protection.

First, the development of a legal basis and law enforcement practices in this area certainly belongs to our priorities. I assign to develop a corresponding package of legislative acts. I expect the draft laws “On the state registration of rights to real estate and transactions with it” (new edition), “On modification and additions to some acts of the Republic of Kazakhstan on issues of the state registration of rights to real estate and transactions with it” will soon be made laws.

Second, it is necessary to improve the respect for private property and contractual relations at all levels, including through the use of all possible instruments of the government, the education and judicial systems, etc. I also expect our civil society institutions to play a constructive role since the strengthening of private property is simultaneously the creation of basic guarantees of human rights and freedoms.

Third, the Government should take necessary measures for improving the contractual relations which clearly define rules of public-private partnerships.

The sixteenth direction – Formation of the basis for further industrialization of Kazakhstan

We should manage economic growth on the basis of the policy of further industrialization of Kazakhstan responding to modern international market requirements.

First, it is necessary to conduct an analysis, fully assessing the issue of equipping the economy with industrial means and the depreciation of the country's fixed capital, and prepare a specific action program, aiming at radically updating capital equipment, industrial infrastructure and technological processes.

Second, it is necessary to determine priority areas and enterprises and the system of primary measures of their industrialization on a modern basis.

Third, it is necessary to develop the instruments for governmental stimulation of the private sector, which must play the leading role in the process of further industrialization.

I assign the Government, before the end of 2008, to carry out the work that is closely connected with the strategy of achievement of a qualitatively new level of competitiveness and

export opportunities of the economy for the development of the Industrial and Innovative Strategy.

III. State policy directed towards providing international standards of education and professional retraining, corresponding to dynamics and prospects of the development of the labour market

The seventeenth direction – Improving the systems of elementary and secondary education, and retraining of personnel, and bringing them up to world standards

We should achieve quality education services at world standard levels all around the country. First, we need to eliminate our children going to school in three shifts. It is necessary to build 100 new schools in regions of Kazakhstan on the basis of public-private partnership within the next three years.

Second, it is necessary to create a unified system of assessing learning efficiency, knowledge level and abilities of each student.

Third, we should develop the practice of online training and create an educational TV channel in the country.

Fourth, we need to add additional hours or subjects on natural sciences to the national curriculum, mathematics and computer science come first. It is also necessary to envisage the creation of a system of special classes of natural science content. The government should develop mechanisms to attract necessary investment in this area.

Fifth, we should attract foreign teachers of English language to our schools. It is necessary to produce the situation where any average school could provide children the opportunity to learn a foreign language at the highest level.

Sixth, we need to think about introducing a system of state competitions for grants to schools with high indexes of achievement which will be given, for example, in the form of financing scholarships to students from needy families. It will allow them to receive further education in more prestigious and advanced educational institutions.

We should pay particular attention to the issue of perfecting the evaluation and remuneration system for best teachers.

The eighteenth direction – Introduction of certification of educational institutions at international standards level, priority development of natural and engineering sciences in the sphere of higher education

First, the Government should introduce a system of certification of educational institutions at international standards level, which will allow evaluating fairly the education quality at all higher education institutions. It is also necessary to think about the attraction of competent institutions for international accreditation of higher education organizations.

Second, it is necessary to merge a number of academic scientific institutions with the best higher education institutions within the framework of structural reforms of science which may serve as a basis for establishment of new universities uniting education and scientific research.

Third, the Government should develop an appropriate legislative basis for the development of specialized educational programs and applied scientific centres of exact and engineering sciences.

Fourth, the Ministry of Education and Science and other relevant structures of the Government should prepare a program of scientific and technical development and control its implementation on principles of strengthening the coordination at the intersection of scientific, creative and technological works with the effective use of financial assets and ending the duplication of scientific and applied researches.

Fifth, we should collaborate more actively with foreign developmental institutions and academic centres and also encourage private investment into mathematical and scientific education.

Sixth, the active involvement of foreign scientists and teachers in sectors of education representing the greatest interest for us should become a component of the strategy of increasing the number of qualified professors and teachers of engineering.

Seventh, we need to create specialized training focusing on information technologies and new forms of information distribution.

The nineteenth direction - Formation of the basis of a "smart economy"

Practically all modern successful states deeply engaged in the world economy have relied upon a "smart economy." For its creation we should, first of all, develop our own "human capital."

At first, we should draw attention to the following:

First, we must have requirements and corresponding infrastructure for regular renewal of publicly database of knowledge required for our new economy in compliance with the world technological level of development as a whole.

Second, it is necessary to provide direct support for the establishment of innovative educational consortia for educational programs and applied science research.

Third, we need to expand the practice of combined participation of scientific research institutions and universities in competition for receiving state or private sector orders for scientific research and development engineering, grants, joint scientific publications, etc.

Fourth, we need to recommend companies supplying new technologies to engage in obligatory education of Kazakhstan's personnel to work with these technologies.

Fifth, it is necessary to create relevant preconditions to ensure the interests of business people in scientific technological provision and competitiveness of the private sector. There must be also strict monitoring of execution of contractual obligations by the business community regarding the training of Kazakhstan's specialists.

IV. Modern social policy: attention to demands and necessities of people and creation of new jobs

Two years ago we assumed the course towards consistent social modernization. We have achieved a lot.

What is crucial for us is to provide everybody with necessary conditions to implement

important and clear life principles:

- to provide for one's family;
- to own a home;
- to educate children;
- to improve health; and
- to accumulate funds for retirement.

From our previous experience and from the experience of other countries we should make two principal conclusions.

First, social support for people from the government can only be effective if it has a targeted and individualized nature. The state is obliged and actually takes responsibility for supporting only those members of the society who really need help, first of all, children, mothers with many children, veterans and the disabled.

Second, the most effective social policy was and still is the policy of motivating to productive work and creation of new jobs. We need to have real incentives for people who once lost their jobs for one reason or another to get new ones and offer them an opportunity to have a new profession. Moreover, we need to resume the popularization and active promotion of work specialties, especially in the industry, for the young generation.

The twentieth direction – Consistent policy in the sphere of housing availability and development of real estate market

First, the Government must analyze and accelerate the implementation of the program of municipal housing including the development of construction industry, construction of accessible housing for rent, ensuring the transparency of the process during land allocation, and promoting individual housing construction.

Second, there is still an unresolved issue of increasing the quality of construction and servicing the facilities already built by adapting international standards of quality.

The Government and relevant ministries are facing an important task of creating an effective, competitive and transparent property market. This market must provide the most favourable conditions for obtaining housing, giving buyers the opportunity to have full information on conditions and prices of transactions, and developing effective credit instruments from financial organizations.

Third, the administrative and legislative requirements in the area of real estate should be made simpler and easier. We should also resolve the issue of facilitating procedures of registering land slots and the transparency of their allocation.

Fourth, we should adopt measures to improve our system of state registration of real estate rights and transactions, and develop an effective method of real estate assessment.

Fifth, we should estimate the opportunities for creating additional stimuli for wide scale housing construction.

Sixth, the Government must analyze tendencies on international property markets and using best international practices establish effective instruments for financing rental housing construction and stimulating individual housing construction.

Seventh, we should establish a legislative basis for stimulating insurance companies offering services concerning mortgage credit lending.

The twenty first direction – Improvement of health service quality and development of high-tech healthcare system

First, I consider it is necessary to achieve efficiency and quality improvement of health services by revising mechanisms of management, financing, coordination and control in healthcare. We should also introduce a system of accountability for healthcare providers open to the public and a system of internal control and external audit.

It is necessary once and for all to determine those health services which are to be provided by the state and not to mix them with private services. On the other hand, an opportunity must be given for the development of private medical service.

Second, we should develop programs for increasing average life expectancy, reducing rates of infant and maternal mortality and the level of tuberculosis and reducing the expansion of HIV/AIDS.

Third, primary medical training should become a compulsory part of all school and university curricula. In this regard, it is also necessary to increase the population's knowledge and awareness of a healthier lifestyle and healthcare issues. A special attention should be given to the development of mass sport and promotion of sport among the population.

Fourth, within the next three years it is necessary to construct 100 hospitals in regions across Kazakhstan through public-private partnerships.

Fifth, a serious attention should be given to the sanitary infrastructure of Kazakhstan and to providing all the population centres with drinking water of high quality.

Sixth, incentives should be created to develop a competitive market of healthcare and medical insurance services which should be accessible for the people.

Seventh, it is necessary to rapidly adapt the training and certification of doctors and medical workers to international standards of education. It is also necessary to think over the introduction of an incentive based wage system for medical workers depending on the level of their qualification category, specialty type and workload.

In the meantime we should start creating a high-tech healthcare system which is to be available to the widest cross-section of our population. For this purpose:

First, the Ministry of Healthcare should develop a system of improvement of modern and high-tech prophylaxis and diagnostics, first of all, in pre-school and school establishments; patients' medical consultations, treatment and rehabilitation of socially significant diseases. It is necessary to stimulate the creation of high-tech medical centres of early detection and prevention of diseases.

Second, the state should assist public healthcare authorities in developing a system of high-performance information technologies, among other things by creating nationally accessible electronic medical records.

The twenty second direction – Development of a cumulative pension system

The Government should draft proposals regarding further improvement of a cumulative pension system.

The most pressing tasks are:

First, the provision of state guarantees for keeping pension savings and their sufficiency at old age.

Second, maximum population coverage with a cumulative pension system.

V. Political and administrative development in accordance with the logic of the New stage

The twenty third direction – Development of the political system

The primary task at the new stage is further strengthening the foundations of an open, democratic and legal state which harmoniously combines universally recognized democratic values with the traditions of our multi-ethnic and multi-religious society.

The important directions for the development primarily are:

- Increasing the interaction efficiency and strengthening the system of checks and balances between the branches of power;
- Expanding the powers of representative bodies;
- Creating favourable conditions for strengthening the role of political parties and development of civil society institutions;
- Improving efficiency and transparency of government institutions;
- Reforming the structure of executive power to provide improved public access to the government decision making process;
- Further strengthening the institutional mechanisms for the protection of human rights and freedoms;
- Creating conditions for the development of local self-government; and
- Promoting the harmonious development of mass media.

The State Commission, having worked for a year, has presented the basic directions of democratic reforms. Now, it is time for a group of legal experts to prepare draft laws and amendments to our Constitution.

I am also confident that all this will finally allow us to find an optimal model of harmonious political and state formation of our country at this new stage of Kazakhstan's development.

The twenty fourth direction – Realization of administrative reforms and modernization of executive power

We are creating a qualitatively new model of state administration on principles of corporate management, productivity, transparency and accountability to society taking into account best international experience.

First, the Government, together with the akims, should radically change approaches to the drafting and contents of program documents. Each state body should have a strategic plan, a determined mission, clear priorities and established target parameters of all state bodies'

activity, and the work of each civil servant should be focused on these priorities. I assign to rethink active programs, to unite them around our strategic priorities and reduce or transfer other programs to another level of responsibility where necessary.

Second, the separation of functions of state bodies into strategic, administrative, executive, and controlling and supervising should reach its logical conclusion. The analysis of governmental decisions should be carried out annually to avoid duplicating functions and improve inter-budgetary relations, overcoming the conflict of interests.

Third, it is necessary to improve the budgetary planning aimed at maintaining efficiency, productivity, controllability and transparency.

Fourth, the Government should transfer all non-strategic economic activity of the state to the competitive market environment.

Fifth, the system of state procurement should establish precise rules and procedures; they should be transparent, controllable, clear and easily fulfilled.

Sixth, the Government should ensure development and introduction of standards of public services. The register of all public services provided both on the national and local levels must be confirmed by the Government before July 1, 2007.

Seventh, the Government and local executive authorities should work out a set of measures to increase transparency and accountability of their activity.

Eighth, it is necessary to have tougher requirements which are directed at increasing the responsibility of state employees and strengthening of motivation for their work.

Ninth, the evaluation of activity of state bodies should be implemented taking into account of efficiency and quality of services provided to citizens, as well as the results of realization of the state, branch, regional and budget programs.

Tenth, it is necessary to conduct a thorough analysis of results of work on creation of an "Electronic Government". Given that, and based on the experience of leading countries of the world, we should continue introducing modern information technologies.

I assign the Government to develop a legal and regulatory basis necessary to carry out the administrative reform.

The twenty fifth direction – Increasing the role of the Assembly of Peoples of Kazakhstan to further strengthen public accord and stability

Further strengthening of public accord is basically a foundation for maintaining dynamic development of the country and successful accomplishment of that paramount task which we have put before ourselves.

Therefore, it is necessary to strengthen the authority of the Assembly of Peoples of Kazakhstan including through legislation expanding the area of its practical activities and responsibility.

The Assembly should consistently solve the following tasks at a new level of our country's development:

First. Strengthening unity among our peoples, supporting and developing a wide public consensus on basic values of the modernization of Kazakhstan's society which go beyond the limits of political ideologies and the current political trends.

Second. Strengthening a sense of common citizenship based on equality of opportunities for all

citizens of Kazakhstan, irrespective of their national, social and, so to speak, “class” origin.

Third. Maintaining favourable conditions for further strengthening of interethnic and inter-religious accord and tolerance in our society.

Fourth. Hard and consistent counteraction to any manifestation of extremism and radicalism in our society and attempts directed at infringement of constitutional rights of our citizens.

The twenty sixth direction – Spiritual development of the peoples of Kazakhstan. The tri-lingual policy

First, continuing the work in the framework of the “Cultural Legacy” program, we should examine the possibility of establishing a “Fund of Spiritual Development of the Peoples of Kazakhstan.” This Fund must conduct regular monitoring and support the development of cultural values and traditions of our peoples with the help of the state and private partnership by attracting corresponding public organizations. The administration of the Fund must be exercised on principles of corporate management.

Second, I propose to begin a step-by-step realization of a cultural project “The Unity of Three Languages”. Kazakhstan must be perceived in the world as a highly educated country whose population can use three languages.

They are: Kazakh as the national language, Russian as the language of interethnic communication, and English as the language of successful integration in the global economy.

The twenty seventh direction – Improvement of the law application practice and enforcement of law and order

Consistently strengthening the basis of an open and democratic society we should not forget that democracy and order are indivisible, one cannot exist without the other. Therefore, an effective system of citizens’ rights and freedoms is required.

First, it is necessary to intensify the coordination of actions of law enforcement and other state bodies in enhancement of organizational and legislative measures in the area of maintaining law and order.

Second, it is necessary to focus our attention on the growing problem of youth crime and take measures to reduce it.

Third, it is necessary to provide our law enforcement bodies with additional resources and instruments for fighting challenges such as drugs and trans-national organized crime.

Fourth, we should ensure the creation and functioning in the country of a nationwide system of preventing violations of law, and attract community and population to this work on a broader basis.

VI. New regional and geopolitical responsibility of Kazakhstan

The twenty eighth direction – New international responsibility of Kazakhstan, development of multi-vectoral foreign policy and participation in combating global threats

Kazakhstan has been and is an active participant in wide international cooperation aimed at nuclear non-proliferation, fight against international terrorism, religious extremism, distribution of drugs and other contemporary threats.

Many problems in Kazakhstan such as protection of the environment have a trans-border character. They can be solved only jointly with our neighbours, Russia, China and Central Asian states, on the basin principle. For this purpose trans-border zones of sustainable development should be created with international participation, on the example of Danube, Alps and Andes treaties.

Cooperating with other countries in solution of vital problems, ranging from ensuring energy security to fighting against epidemics and environmental disasters, we will further strengthen our role and prestige as a responsible member of regional cooperation and the international community.

This is manifested in our good neighbourly relations with Russia and China, which are priorities, as well as in our interest and practical steps toward development of the strategic partnership with the USA and multilateral cooperation with the countries of the European Union.

The twenty ninth direction – Kazakhstan’s active role in ensuring regional stability, developing economic integration of Central Asian states and forming a dynamic market in the Caspian and Black sea zone

In order to use the advantages of regional development, it is necessary to ensure deeper and more beneficial integration of the region’s countries.

This has practical reflection in Kazakhstan’s constructive initiatives to intensify cooperation in Central Asia, in Asia and the Middle East, to strengthen regional structures such as the Eurasian Economic Community, the Conference on Interaction and Confidence Building Measures in Asia, and the Shanghai Cooperation Organization.

In this connection we should:

First, negotiate an agreement with our neighbours on the development of a more favourable business climate in the entire Central Asian region. Signing special agreements may be necessary to allow our companies to invest resources in neighbouring countries freely and eliminate bureaucratic and protectionist barriers in the way of imports and exports, and also the movement of capital and labour force.

Second, we should concentrate our efforts on implementing projects in Central Asia attracting foreign financial institutions and local companies. This is the primary goal for the “Kazyna” Fund.

Third, in cooperation with our neighbours we may discuss introduction of a special regime of movement for the workforce. We stand for a free, but regulated movement of qualified workforce in the countries of the Central Asian region.

The thirtieth direction – Confirmation of Kazakhstan’s position as a centre of inter-cultural and inter-religious accord in the development of the “dialogue of civilizations”

Our consistent policy aimed at ensuring tolerance, inter-religious and intercultural accord of all

ethnic groups living in our country and representing the united people of Kazakhstan, has already been recognized by the international community.

First, today we need to promote the role of Kazakhstan as one of the important international centres of intercultural and inter-religious dialogue at a higher level. In case of necessity our country could be an international mediator in finding mutually beneficial political solutions for potential conflict situations.

Second, I think that together with a number of countries which are also interested in expanding and intensifying the dialogue of civilizations, we can jointly come forward with major international initiatives aimed at improving the understanding between East and West on key issues of the modern world.

Dear people of Kazakhstan!
Distinguished members of Parliament and Government!
Ladies and gentlemen!

The achievement of these high goals which we set before us will require additional mobilization of efforts and, in many cases, new innovative approaches to the issue from all bodies and institutions of power, as well as business, scientific and expert communities.

Most importantly, the process of complex modernization must take place in the interests and with the direct participation of all our people, of all strata and institutions of our society