

ADDRESS

BY THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN TO THE PEOPLE OF KAZAKHSTAN February 2008

Growth of Welfare of Kazakhstan's Citizens is the Primary Goal of State Policy

Dear people of Kazakhstan!

My annual addresses to the people of Kazakhstan are always aimed at an analysis of our past accomplishments and future challenges, and, most importantly, at our joint search for the best way to achieve our great common goal.

In my 2006 and 2007 addresses to the nation I not only addressed today's challenges, but also spoke about the future of our development. We should continue our focus on Kazakhstan's continuing industrialization, on our joining the community of the world's 50 most competitive nations and on forming a select group of 30 corporate leaders to advise on these goals.

This year I ask that the Government present a detailed report on the implementation of these initiatives.

Last year we took a further step toward the comprehensive economic, social and political modernization of Kazakhstan.

Kazakhstan entered 2008 with new economic achievements and a significantly modernized political structure.

New amendments to the Constitution enhanced the role of the Parliament and political parties, the institutions of civil society. For the first time in the history of independent Kazakhstan, parliamentary elections on a proportional basis were held. Nur-Otan won a landslide

victory, which for the first time allowed the party to appoint the Government. Administrative reforms underway for some time have been enhanced by the introduction of executive secretariats at Government Ministries. This allows us to assure the stability of the Ministries' valuable human resources.

Last year the economy grew by 8.5 per cent. Since 2001, the economy has been growing at an average annual rate of 10 per cent, which is quite significant.

We have been able to accumulate a considerable national reserve amounting to 40 billion US dollars, managed by the National Fund. This significant sum played a special role in maintaining the stability of the nation's financial system.

The social climate is also stable and favorable. Since 2000, budgetary allocations for education, health care and social security have grown more than five fold. More than five million people are covered by the government's social security programs, twice as many as five years ago.

We are continuously increasing the amount of assistance provided to our senior citizens. The total amount of pension savings is growing steadily and has exceeded 1.1 trillion tenge.

Social infrastructure is being strengthened. 76 schools and 23 medical facilities were built throughout the Republic in 2007 alone.

We have managed to reverse the negative demographic trends in the country.

In three years, within the framework of the state guaranteed housing program, we have constructed more than 18 million square meters of housing. This exceeds what we had planned by 2.2 million square meters.

All these dynamic social improvements are a bright illustration of the progress of our economy, the constructiveness of our social policy and the stability of our political system.

Esteemed deputies, attendees, and guests

Nowadays, given the global market slowdown, we have to engage domestic investment resources, combined with the growing role of State-owned holding companies, development institutions, and social-cum-entrepreneurial corporations.

Notwithstanding the difficulties that have emerged, the Government has acted on my instruction to take measures toward sustainable economic growth.

We must focus on addressing short-term and medium-term objectives in the following priority areas.

First – the extractive sector.

The key vector of the oil and gas industry involves bolstering the Government's position as an influential and responsible player in the international oil and energy markets.

To that end, we have been consistently enhancing government influence in strategic energy sectors. We have already increased Kazakhstan's share in developing the Kashagan and Kumkol oil fields, the Bogatyr open-cast coal mine, and others.

This is hugely important for us, if we are to access international markets for finished products with high added value.

The efforts in these sectors must continue.

Samruk Holding Company, as well as regional SECs (Social-cum-Entrepreneurial Corporations) should undertake concrete measures for efficient development and greater competitiveness of the mining and metals sector. To that end, we must sort out the situation around the State-owned share holdings in existing mining and metal companies and transition to appropriate management of such holdings, while assuming the subsoil use rights with regard to explored iron ore and non-ferrous metal deposits, including rare metals.

The issue of exploring new deposits is to be addressed jointly with the Government.

Second – proactive infrastructure support for key sectors of the economy.

The Government must act to develop the power sector and the transportation system. Today, these sectors are clearly failing to keep up with the development of Kazakhstan's economy.

Priority tasks to provide power to the economy and the population include construction of the Balkhash Thermal Power Plant, Unit 3 of the Ekibastuz Thermal Power Plant No. 2, the Moinak Hydroelectric Power Station and others.

In 2009, construction of the second power transmission line for the North Kazakhstan - South Kazakhstan project, as well as the power transmission line from North Kazakhstan to the Aktyubinsk region must be completed. That will help reduce power shortages in Southern and Western Kazakhstan.

In order to reliably provide for gas requirements of the Republic's southern regions, the Beineu-Shymkent main gas pipeline project must be examined, and its construction started.

Specific proposals should be made on the construction of a nuclear power plant in Aktau.

At the same time, the Government ought to focus on introducing power-saving and environmentally clean technologies.

Our companies and citizens are yet to adopt power saving practices on a daily basis. We must say bluntly that cheap energy is running out. If one wants to pay less, one must save. This must be on everyone's mind.

The Government must launch this effort.

We have to provide for the construction and modernization of the railway and roadway infrastructure.

As early as this year, on a concessional basis, we should complete a railway from Shar to Ust-Kamenogorsk, start construction of railways from Mangyshlak to Bautino, from Yeralievo to Kuryk, and the section from Khorgost to Zhetigen, while starting the electrification of the Makat-Kandyagash railway section.

This year, in order to reduce rolling stock shortages, we have to draft a package of measures to develop the domestic transportation engineering sector and start implementing such measures.

We must commence actual implementation of Kazakhstan's largest transportation project, the transcontinental corridor "Western Europe–Western China", which will pass through our Southern regions and will then go to Russia via Aktobe, creating jobs and reviving the regional economies.

In order to reduce fiscal expenditures, the construction and rebuilding of highways, such as Astana–Borovoye, Astana–Karaganda, Almaty–Kapshagai, Almaty–Horgos, as well as the Greater Almaty Ring Road will commence mostly on a concessional basis, with an eventual introduction of tolls.

To give concession-based projects a boost and make them more attractive, the Government should improve the existing legislative and regulatory framework.

Third. The program of "30 Corporate Leaders": its implementation is helping true development of the non-commodity sectors of our economy.

As of now, over 100 projects have emerged with a claim to "breakthrough" status. Projects of vast importance to the economy are underway, such as the construction of the third gas-processing plant in Janajol, mining and enrichment facilities and a copper smelter in the Aktubinsk region, ongoing construction of an aluminum smelter, as well as a chlorine and caustic facility in the Pavlodar region, establishment of a section rolling mill and metallurgical silicon facility in the Karaganda region, and numerous other projects.

Construction of the first integrated gas chemical complex in the city of Atyrau is to commence shortly. Next year, construction of a gas-processing plant to be supplied by the Karachaganak field, as well as a new aluminum smelter in the Kostanai region will start as well.

We will continue implementing the projects that call for establishing a tire complex in Astana, developing logistics centers in Astana and Almaty, and establishing a polycrystalline silicon manufacturing facility.

I have only mentioned the largest facilities. However, over these years, many hundreds and thousands of new enterprises have sprung up in Kazakhstan. Kazakhstan had never had a facility to produce glass, a

badly needed material in high demand. Neither has Kazakhstan had an aluminum plant.

Currently, five vehicle plants are in operation, including car assembly facilities. Nowadays, radio equipment and computers are assembled in Kazakhstan. The furniture sector, construction industry, and other sectors are surging ahead.

All in all, the Program "30 Corporate Leaders" is expected to take the interaction between the Government and business to a fundamentally new level.

The performance of major ministries, the Kazyna Fund and other holdings, as well as local government offices across all levels will be evaluated, first and foremost, in terms of "breakthrough" project implementation.

The contemporary development phase is putting a number of new essential tasks on the agenda of the nation's agro-industrial complex.

Over the past five years, Kazakhstan has achieved notable results in developing its agricultural sector. Gross agricultural output has almost doubled since 2002. Investment has more than tripled. This has been made possible thanks to massive government support to the agricultural sector. You are well aware of the three-year support program for rural communities, which we have now completed. It has provided a powerful impetus.

Thanks to modern technologies used in recent years, grain crop harvests have improved dramatically.

Mandatory crop insurance, introduced in 2004, has guaranteed that farmers make money even in drought years.

These measures have contributed to the near-quadrupling of combined sales in our agriculture, which have exceeded US\$4 billion.

Improving the quality of life in our villages and rural communities will remain a government priority.

Given the evolving global trends and its existing potential, the agro-industrial complex should develop into a key revenue earner for our economy.

Agricultural product prices have been rising; in general, this sector is becoming highly lucrative and we should invest in it. I am sure that rural communities will respond with impressive labor and higher returns.

First. The country's food security must be assured.

To that end, it is imperative to attract greater investment in agricultural and food processing.

Kazakhstan meets its domestic demand for key staple foods and has export potential.

Close attention must be given to providing incentives for production of essential staples that do not yet meet the nation's demand. Those include, for instance, vegetable oils, fruits, sugar, and others. We are capable of addressing these problems.

Second. It is important to focus on those agricultural sectors that export their products. In particular, the channels for grain exports via Caspian and Black Sea ports, as well as exports to China must be expanded.

Third. The livestock sector likewise offers a great export potential. In a further step, our veterinary system should transition to international standards.

I am instructing the Government to take further measures for systemic support of agriculture across all levels.

Special attention must be paid to the processing of raw materials.

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Macroeconomic policy priorities.

The Government, the National Bank, and the Financial Supervision Agency must establish effective mechanisms for systemic and prompt government responses to any threats of financial instability and must bolster the international markets' confidence in Kazakhstan's economy.

First. Systemic enhancements are needed in the operations of the Financial Supervision Agency.

The primary goal of the Agency, as well as the National Bank and the Ministry of Finance, should be improving the competitiveness and stability of the nation's financial system, particularly its banking sector. Vagaries of life will call for adjustments to our plans. We should be ready for that.

We must learn the lessons of the U.S. sub-prime loans crisis, which has seriously affected our banks.

The Financial Supervision Agency should monitor the situation in each bank more closely and should employ preventive and effective measures, if need be.

Government support can not be a one-way street, and the banks should assume their portion of risks. If bank shareholders are unwilling or unable to raise extra resources for the banks' development, the Government should be ready to take necessary action.

Meanwhile, the process of regulatory intervention should be extremely transparent and predictable to the entire banking sector.

We view the advent of foreign capital to the banking sector as a vote of confidence in Kazakhstan, as a source of much-needed financial support and of best international practices in the area of banking services.

Structural reforms of our financial system must continue. These involve the development of the securities market, advanced financial instruments, improved bankruptcy legislation, and a profound reform of the judiciary.

We should develop systemic risk management in private and public sectors alike. The Government, the Fiscal Supervision Agency, and the National Bank ought to construct a flexible and reliable system of risk management.

Furthermore, a system of rapid response measures is to be developed for contingencies.

The degree of confidence on the part of the general public and the business community, including foreign business, should become a key performance criterion for the nation's financial authorities.

Second. The taxation system must be aligned with the objectives of this new phase in Kazakhstan's development. The existing Tax Code has played a positive role in supporting economic growth. However, its potential has been largely exhausted by now. The Code includes in excess of 170 exemptions and preferences which continuously proliferate on an ad hoc basis.

The Government should draft a new Tax Code designed to promote modernization and diversification of the economy while bringing business in from the shadows.

The new Code should have the character of a direct action law that prevents arbitrary interpretation of its rules by tax authorities, while combining high quality tax administration with taxpayer interests.

Most importantly, though, it should provide for a reduction of the total tax burden on non-commodity sectors of the economy, particularly small and medium-sized businesses. The expected shortfall in government revenue should be offset by greater economic returns from the extractive sector.

Third. The Agency for Protection of Competition, newly established on my instructions, is to perform a special mission of ensuring our economy's efficiency and competitiveness.

The Agency's broad powers should guarantee success in fighting collusion on prices, bad faith competition, and certain market players who abuse their dominant or monopoly status, while enhancing the positions of Kazakhstani business globally.

A new competition law is needed, to provide serious impetus for the growing entrepreneurial activity in this country.

Fourth. We should redouble our anti-inflation efforts. Given rising inflation, which is exacerbated by pressures from global economic developments, the Government should take well-considered and appropriate action.

I expect that the National Bank, too, will achieve substantial results in the fight against inflation.

The Government should proactively control the situation in the context of global economic instability. All the necessary resources are in place.

Therefore, the Government and the National Bank should have an operations plan of stabilization actions in case the global economy experiences the expected slowdown and the prices of certain exports weaken.

First and foremost, until the financial sector's problems are overcome, the Government should temporarily reduce government expenditure across all areas and programs other than social ones.

All of the above-mentioned plans must follow this requirement.

Anything that can wait should be suspended. This concerns all regions, too. Such austerity will be instrumental in reducing inflationary pressures while enhancing the nation's reserves in case energy and commodity prices decline.

Esteemed attendees,

We shall continue on the path of improving the Kazakhstani political model and system of government by combining the generally accepted tenets of democratic development and our society's traditions.

First. Over the 16 years of our independence, we have implemented our own model for securing public stability and inter-ethnic accord, molding the Kazakhstani identity and shared Kazakhstani patriotism.

This is our Kazakhstani know-how, of which we are justly proud and which we must carefully guard.

Within the Constitutional Reform context, the status and power of Kazakhstan's People's Assembly have increased.

As they represent the interests of all people across our multi-ethnic nation, deputies elected by the Assembly are called upon to play a special role in consolidating inter-ethnic peace and accord in Kazakhstan.

Currently, the role of this unique Kazakhstani institution needs strengthening through all means available. Deputies elected by the Assembly should feel this responsibility and maintain close links with the Assembly and its local organizations.

As I have always said and as I would like to reemphasize with full responsibility, Kazakhstan needs long-term stability, peace and accord for further strengthening of the nation and its security, for sustainable economic development and for a better standard of living for our citizens.

Second. The development of a modern political system should continue in Kazakhstan.

Political parties, non-governmental organizations, and other public institutions should play the lead role in such process.

The strengthening of party mechanisms will promote the establishment of modern civil society and the general public's broad involvement in social processes.

Presently, the model based around Nur Otan as the dominant party may be viewed as the optimal form of political system for Kazakhstan.

Thanks to this model, all other political parties are able to run in elections, get elected to the Parliament, and take part in all political developments. There are no obstacles to the emergence of new parties or to expression of one's own opinion.

Third. In the context of a democratic society, the fight against crime and corruption is assuming great significance.

The past years have seen substantial improvements in the ability of the nation's law-enforcement and judiciary system to combat criminal phenomena, and to protect our citizens' lives and rights.

However, their operations are not free of significant shortcomings.

These were discussed at a recent Board Meeting of the Prosecutor General's Office in the presence of all law-enforcements authorities.

The law-enforcement system and the judiciary must assure fair and effective protection of Kazakhstanis' rights, while protecting business from unlawful interference.

In this area, crime preemption and prevention, rather than punitive action should be a priority. Therefore, a bill "On Prevention of Offences" must be drafted and submitted to the Parliament this year.

I am instructing the Presidential Administration to ensure the implementation of all these measures, to carry out an administrative reform of the law-enforcement authorities and all entities reporting to the nation's President.

Fourth. The Government must promptly implement the measures envisaged by this administrative reform for the development of Kazakhstan's government administration system in keeping with the principles of effectiveness, transparency, and public accountability, and with due regard for best international practices.

These new approaches should be tried and tested in 2008 within pilot government agencies such as the Ministry of Justice, the Ministry of Economy and Budget Planning, the Ministry of Finance, and the Governor's office of the South Kazakhstan region.

Greater efficiency and better performance of the administrative apparatus must be the primary goal of the administrative reform, so that officials serve the people properly.

A new nation-wide human resources policy must become a key aspect of administrative reform. At the current phase of development, the human factor is becoming crucial.

Modern approaches must be developed to establish a professional core of new-style managers within the public administration system.

The Nur Otan party should play a major role in this process. The party should take an active part in developing human resources for the public administration system, acting as a "social elevator" for deserving citizens.

An important role should be assigned to the younger generation, including the Bolashak program graduates.

Young professionals should find their place in the developments taking place in the nation, and should take a very active part in building the future. Work with the human resource pool slated for potential promotion should be raised to a new, higher level.

The Presidential Administration must lead the human resources effort.

Fifth. As of the next year, for the first time in our nation's history, the new system of government budget planning will be based on a three year budget. To that end, the Government must draft a new Budget Code this year.

We must also redouble efforts to modernize and improve the planning system, boost the effectiveness of budget expenditure, and improve the management of government assets.

Sixth. The Government must conduct a targeted audit or, if you will, an audit with prejudice, of government funds allocated under the Government's major socio-economic programs.

The objective of this audit is to assess performance and dramatically improve the efficiency of managing and expending government funds.

Seventh. The Government should continue its consistent efforts at providing incentives for greater competitiveness of small and medium-sized enterprises.

Operations of micro-credit institutions should be supported, including with public funds. Such institutions aid hundreds of thousands of our citizens in establishing their own businesses. We should devise measures to make micro-credit more accessible and create new jobs for a greater number of Kazakhstanis.

A well-developed entrepreneurial sector is the basis of any economy.

In this regard, I am instructing the Government, in the administrative reform's context, to radically reduce the administrative burden on businesses, and to further simplify the approval system, mostly in terms of licensing, certification, and accreditation.

Let me offer an example. According to the latest World Bank report "Doing Business", it takes 89 days to perform all export-related

procedures in Kazakhstan, whereas it only takes five days to do the same in Estonia.

Various inspections, contemplated by more than 50 laws, have turned into a true calamity for businessmen.

Certain agencies use various pretexts to "inspect" a business several times in violation of the law. This seriously distracts enterprises from their business. Furthermore, it runs counter to the policy that I have been pursuing.

The number of inspections carried out by law-enforcement authorities and other inspectors should be significantly reduced, and such inspections should be streamlined.

Dear Kazakhstanians,

Continued improvement of the social well-being of the Kazakhstanis, all elements and social groups of Kazakhstani society have been and will remain at the forefront of government policy.

Quality-of-life standards should become an effective market-based tool for human capital development and social modernization of Kazakhstan, without giving rise to free-rider attitudes.

The Government's social policy can only be effective if it seeks to create jobs and bring the able-bodied population into the national economy. We have followed this principle until now and we intend to observe it going forward.

We have every reason to further improve the living standards of disadvantaged members of the public, in keeping with the election platform of the Nur Otan party, which has a five year horizon.

The new three-year budget should provide for:

- Overall rise of average pensions by the factor of 2.5 between 2007 and 2012, including a 25% rise in 2009, a 25% rise in 2010, and a 30% rise in 2011. Meanwhile, base pension benefits should reach 50% of the subsistence level by 2011;

- A 9% annual average increase in government social benefits and specialized government benefits starting in 2009;
- A phased increase of the monthly child care benefit once the child reaches one year of age, to exceed the 2007 benefits by an average factor of 2.5 by 2010-2011;
- An increase of one-off benefits for the birth of the 4th child and more, in excess of 4 times the 2007 amount, starting as of 2010;
- Salary increases for government employees, to gradually double salaries by 2012, including a 25% increase in 2009, a 25% raise in 2010, and a 30% raise in 2011.
- In 2009, the annual quota for government supported resettlement of Oralmans to their historical homeland should be raised by 5 thousand families to 20 thousand families a year.

Work in support of social wellbeing should come hand-in-hand with a higher quality of life and a higher quality of the nation's human resources. This is the primary mission of the nation's research, education, and health sectors.

The main challenge in our education system is to expand high-quality education services through the implementation of the State Program on the Development of Education through 2010.

First, I commission the Ministry of Education and regional governors to establish within three years a viable education infrastructure to provide modern education and to increase the use of advanced technologies.

This year we will complete the construction of 88 schools for 68 thousand students, and in 2009-2010 some 102 more schools for 69 thousand pupils are to be completed.

Second, I commission the Government and national entities, in cooperation with regional governors and the governors of Almaty and Astana, to develop and implement the program on the further development of professional and technical education.

This program should provide for the attraction of foreign scientists and teachers to the areas of education most useful to the national economy.

Therefore, first and foremost, employers and their associations, in other words, businesses that are in need of such well-trained human resources should be actively involved in the process.

Third, the Government should speed up the implementation of the "Unity of three Languages" cultural project. I would like to draw your attention to the urgent need to increase the quality of Kazakh language teaching, as this language unites the entire society.

Having carefully studied relevant international experience, we should develop and introduce the most advanced programs and techniques for teaching Kazakh. It is vital to develop innovative methodological and practical manuals and audio and video materials to promote the effective learning of our national language.

There are only one or two publishing houses that constantly win bids to publish textbooks in Kazakh. Do we actually have the kind of competition that contributes to the improvement of the textbooks' quality? The quality of textbooks in Kazakh does not meet the standard. The books do not entice people to learn Kazakh, on the contrary, they push them away from the language. Relevant government agencies should take all appropriate measures to resolve this issue.

Fourth, a breakthrough in providing our citizens with preschool facilities has not yet been achieved. The Government and governors should explore the problem in detail and find an appropriate solution.

We should pay particular attention to the preschool education system, as this is the first element of continuous education for our youngest citizens. Effective programs for the development of their creative and intellectual abilities should be introduced at this stage. We should bear in mind that it is exactly at this age that their attitude towards learning, working and understanding the outside world is being formed.

Our healthcare system today does not yet meet the requirements of Kazakh citizens. This is our main challenge in the healthcare system. We are not satisfied with the current infrastructure, quality and management of medical services.

First, the Government should re-energize its work on the refurbishment and development of healthcare facilities.

This year we will build nine national level healthcare facilities and 112 local facilities.

Second, taking into account that prevention is cheaper than treatment, we should review current programs with a view to increasing the use of the most advanced techniques in early diagnostics, detection and treatment. We should analyze and estimate the real price of medical services in order to assure that sufficient financial resources are allocated for healthcare.

Third, I commission the Education and Health Ministries to launch jointly a program to improve the professional skills of medical personnel through additional training and retraining, certification and licensing.

In addition, the number of grants allocated to medical universities and the quota for medical training under the Presidential "Bolashak" scholarship should be increased.

Fourth, particular attention should be paid to providing our people with medicines. The quality of imported medicines should be thoroughly scrutinized and controlled. And we need to be more active in attracting foreign investments for the construction of national pharmaceutical factories.

Fifth, it is particularly important to develop the appropriate infrastructure for the "Healthy Nation" project. We should emphasize and provide every possible opportunity for physical and sports training for our citizens from an early age.

Governors should restore existing and build new stadiums, sports facilities and athletic fields for children and adults, thus providing opportunities for exercise for citizens of all ages to get in shape and live longer lives.

Ministries and governorates should launch extensive campaigns for a healthy lifestyle. This is an issue of national importance, and the Government should approach it on a larger scale.

A package of measures must be devised for a demographic turnaround. This should be the keynote issue for the coming session of the National Council.

The nation's health is a national goal. The domestic business community should actively contribute to attaining this objective.

Here, I would like to note with satisfaction that the business community has actively responded to my appeal for greater social responsibility on its part.

Last year alone, such entities as Kazakhmys Corporation, the Eurasian Industrial Association, KazZink, Tengizchevroil, Agip, as well as the national companies KazMunaiGaz, Kazatomprom, and Kazakhstan Temir Joly, spent in excess of 30 billion tenge on the development of social facilities, including schools, medical and pre-school institutions, rehabilitation centers, disabled persons' rehabilitation centers, as well as culture and sports faculties.

This is a vivid example of good corporate citizenship. Such practices should become common, and the media should support them.

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Accessible high-quality housing for our citizens, particularly for new families, is an issue that has always been and still remains among the Government's most vital priorities.

It is high time to make the following amendments to the National Housing Program.

First. Extension of provisional housing loans at a rate not exceeding 4% per annum to government employees through a building-savings system.

Second. We should emphasize construction of rental housing, including for government employees. For the benefit of citizens wishing to build their own homes, the Government will set up a private homebuilding infrastructure.

SECs should get actively involved in this process under the program.

Third. We should legislate to ensure operational transparency of construction companies and greater competition in that sector. Greater

protection should be provided to the rights of the individuals who make equity contributions to housing projects.

Simplified rules are needed for allocation and documentation of land plots in order to provide incentives to private home construction.

Fourth. The introduction of industrial, affordable, and environmentally clean technologies of private home construction should become a priority. The latest international experience should be used.

Fifth. Further development of Astana, which, this year, will mark ten years as the nation's capital, is a highly important task.

The construction of advanced transport and utilities infrastructure, as well as power sources for the capital city must continue. To secure a reliable power supply for the city, a power complex development program should be implemented along the lines of a public-private partnership, which would include the construction of Thermal Power Plant No. 3.

The Government must redouble its efforts at creating a food belt around Astana, in order to saturate the capital's consumer market and stabilize prices.

In 2008, the Government and the Astana Governor's office are to complete the establishment of a health service cluster, making sure that all facilities are commissioned as scheduled by the capital city's 10th anniversary.

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Improvement in the population's well-being should remain a priority for Governors at each and every level. Focused efforts are needed in the following areas.

First. Improved fiscal performance. We must cut back on all expenditures unrelated to the population's social well-being.

At the central level, work is already underway to implement result-oriented budgets. This work must also be expanded to the local level. The public should feel that regional authorities truly care about them.

New social facilities, such as medical institutions, schools, and sports facilities should become centers for providing the public with high quality, state-of-the-art and, most importantly, mass-scale services.

Second. The Governors must ensure proactive development of infrastructure, in particular, local roads.

Third. The practice whereby non-transparent arrangements are used for land allocation must be discontinued. All land must be allocated by way of public auctions. The only exception will apply to special-purpose land plots intended for SEC operations.

As seen from audits carried out by the Government, land around Astana and regional capitals have been bought in advance in the name of front companies and individuals. Nowadays, by selling those lands at market prices, certain persons, including quite a few officials, are getting rich at the Government's expense without having invested anything.

They should be given the option of voluntarily returning such lands to the Government; otherwise, law-enforcement authorities should investigate whether such actions were lawful and whether such persons are liable.

It would be great if the Nur Otan party and its parliamentary faction undertook to monitor this issue.

In general, Nur Otan branches and grassroots organizations, as well as local Maslihat deputies should become a serious factor for regional development and economic modernization. They must take an active part in implementing this package of measures and keep a close watch over the tasks enumerated above.

**Esteemed Members of the Parliament,
Ladies and Gentlemen,**

Since it gained its independence, Kazakhstan has become a full-fledged member of the international community whose initiatives have almost without exception received broad support and have been translated into reality.

Intergovernmental entities established at the initiative and with direct involvement of Kazakhstan have demonstrated that there was indeed a need for them. Such intergovernmental entities have laid down the

foundation for an effective regional security system and include CICMA, the SCO and CSTO.

We must continue to strengthen our economic and political cooperation with Russia, China, and the Central Asian countries. We must create a firm foundation for stability, an open dialogue and interaction in the region.

We are also expanding our constructive interaction with the USA, EU, and NATO with a view to strengthening security in the Central Asian region.

As of now, this country has reached a qualitatively new level of international recognition as convincingly demonstrated by the decision to grant Kazakhstan the rotating chair at the Organization of Security and Cooperation in Europe in 2010. We are grateful to the members of that organization, especially to the CIS heads of state who have collectively nominated us for that position.

In this regard, it is necessary to devise a special program, "Road to Europe." The program would be intended to promote economic cooperation, bring in technology and management experience, improve our legislation, develop our own agenda and a strategic vision for our chairmanship of the OSCE.

On the whole, our foreign policy and security priorities remain unchanged.

First. Our foreign policy is built on a quest for commonality of fundamental interests, understanding the need for compromise solutions to all, including the most difficult issues.

Second. Kazakhstan intends to continue strengthening, in every way, its position as an active member of the international coalition against international terrorism and religious extremism.

Third. We will continue the modernization and combat preparation of the Kazakh Army.

Over the past few years this nation's Armed Forces have significantly enhanced their military and technical capabilities.

It is necessary to form a professional, military and command corps of the Armed Forces capable of confronting modern security challenges.

On the whole, this country's Armed Forces are being tasked to continue to raise their combat readiness and competitiveness in accordance with the new Military Doctrine. The Government, the State as a whole must provide resolute support to our Armed Forces.

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I would like to specifically note that over the next few years a number of major international events of global importance will be organized.

I am referring to the Third Congress of World and Traditional Religions in 2009, the Conference on Confidence and Security Measures in Asia in 2010, work in the OSCE Troika starting in 2009, and chairing the OSCE in 2010.

Serious preparatory work, both organizational and substantive, must start now. This is a job both for the Foreign Ministry and the Government and for all government agencies.

Dear compatriots!
Members of Parliament and Government Ministers!

As you are well aware, the number of our goals increases from one year to the next. We all work for the sake of strengthening of our country's independence and the nation's prosperity and for improving the standard of living of our people. I am confident that we shall justify the people's trust and reach the goals we have set for ourselves.

Thank you for your attention.