

President Kassym-Jomart Tokayev`s State of the Nation Address "Economic course of a Just Kazakhstan"

Dear Compatriots, Distinguished Members of Parliament and Members of the Government,

In accordance with Article 59 of the Constitution of the Republic of Kazakhstan, I declare the second session of the Parliament of the VIII convocation open.

Dear Members of Parliament,

Congratulations to all of you on the opening of this next session, and I wish you success in your responsible endeavors!

After the spring elections, the number of parties in Parliament increased, and the composition of MPs changed significantly. The fractions representing political parties, as well as single-mandate MPs, have actively engaged in work, initiating many relevant bills and raising important issues concerning the country's development.

Parliamentarians have also been busy during the summer months. In just two months, they visited over 1,200 settlements and met with voters to become acquainted with the situation on the ground. I express my sincere gratitude to everyone for their fruitful efforts. I am confident that the pace of work will increase even further during this new session.

Dear Compatriots,

As many of you know, I deliver my annual State of the Nation Address at the opening session of Parliament. This has evolved into a meaningful tradition.

At this juncture, representatives from all branches of Government convene. We outline key directions for the medium-term, issue specific instructions, and set new objectives. This event breathes new life into the work of Parliament, the Government, and other authorized bodies, playing a pivotal role in the smooth and effective functioning of our state apparatus.

To date, the majority of my initiatives have been implemented, while some are nearing completion. I would like to highlight a few measures that have had a direct impact on the quality of life for our citizens.

For instance, salaries of teachers have doubled since 2020. Medical professionals have also seen significant salary increases, and their incomes now exceed the national average. Citizens have been afforded the opportunity to access part of their pension savings, a move that has positively impacted the well-being of nearly one million people, enabling them to address their housing needs. Within the framework of the "Comfortable School" project, around 400 schools are slated for construction. Additionally, over 300 healthcare facilities are being built in rural areas. The National Fund for Children has been launched, and starting from the new year, funds will be deposited into children's accounts. Lastly, the state has reclaimed ownership of 8 million hectares of land that was either unused or illegally allocated.

These initiatives represent just a portion of the work already accomplished. There is still much to be done, and we will continue to work diligently.

As you are well aware, the country has been undergoing large-scale political transformations since last year. In just eighteen months, we have made significant changes, and you have been both witnesses and active participants in the implementation of these reforms.

These measures have ensured an optimal balance among the branches of Government. We have transitioned to a model of a presidential republic with a strong Parliament. As a result, the formula "a strong President—a influential Parliament—an accountable Government" has become more deeply entrenched. Our mission now is to put into practice the concept of a listening state, with Parliament playing a pivotal role.

We have also made important strides in human rights protection. A considerable amount of work has been devoted to upholding the rule of law and ensuring justice. Additionally, we have expanded opportunities for citizens to participate in decision-making processes. The political culture within our society has ascended to a qualitatively new level.

However, to become a truly developed nation, it is imperative that we complement political reforms with deep and comprehensive socio-economic transformations.

Despite a complex geopolitical landscape, our country continues to show a positive trend across all key indicators of economic development. Last year, Kazakhstan's GDP reached 104 trillion tenge, and we attracted a record-breaking \$28 billion in foreign direct investment. Our foreign trade turnover hit a record level of \$136 billion, with exports accounting for \$84 billion. The bedrock of our economic stability—our external reserves—has approached the \$100 billion mark.

However, it's essential to recognize that most countries are also advancing. Today, we are witnessing fundamental shifts in the global economy and the international division of labor. The pace of technological innovation is accelerating, and competition for resources is intensifying globally. Issues such as climate change, food security, and sustainable demographic development have moved to the forefront. In summary, humanity has entered a new era characterized by unprecedented challenges and radical changes.

In this critical juncture, we possess all the opportunities needed for a robust economic leap. To realize this, we must steadily, yet assertively and decisively, transition to a new economic model. Our focus should not merely be on abstract accomplishments, but on the tangible improvement of our citizens' lives.

The guiding principles for the country's new economic direction will be fairness, inclusiveness, and pragmatism.

The new paradigm for Kazakhstan's economic development will hinge on the effective exploitation of our competitive advantages and the full realization of the potential of all key production factors—labor, capital, resources, and technologies.

As part of this new economic policy, we will eschew the practice of setting long-term, ephemeral goals. All objectives outlined in this Address should be accomplished within three years; for the most complex tasks, specific deadlines will be set.

Let me now delineate the main contours of the upcoming structural economic reforms.

At this stage, our most crucial task is to establish a robust industrial framework for the country to ensure economic self-sufficiency. Therefore, our primary focus should be on the rapid development of the manufacturing sector.

We must initiate projects that will genuinely transform our nation. The urgency for economic diversification has never been greater. Our attention should be on sectors such as deep metal processing, oil, gas and coal chemistry, heavy machinery, uranium conversion and enrichment, automotive component manufacturing, and fertilizer production. In essence, we need to build clusters that generate high added value.

We must fully leverage the tourism potential of our country. The tourism sector calls for the execution of transformative projects as well. Regrettably, we have yet to see significant achievements in this vital industry, and we trail behind other nations.

Broadly speaking, a specific list of at least 15 major projects is essential. We cannot afford to replicate past errors. Effective support measures and concrete implementation timelines must be identified. Both foreign and domestic businesses should be actively engaged in executing these projects.

It's crucial to make optimal use of our raw materials, workforce, and products—in short, all elements that constitute domestic value.

With our new industrial policy, we must transition to a qualitatively different development model. The state, in partnership with large enterprises, should close the production cycle within the country. Achieving this will necessitate both regulatory and incentive mechanisms. The manufacturing sector should have access to raw materials in sufficient quantities and at reasonable prices.

Additionally, it is vital to expand the proportion of domestic goods in regulated procurement and fully execute the off-take system. The share of off-take contracts with domestic manufacturers should increase to at least 10%, amounting to an annual two trillion tenge.

Last year, I directed the creation of a fundamentally new public procurement system to address the shortcomings of the existing framework, which include lengthy lead times, frequent appeals, and a lack of transparency. The Government has drafted new legislation aimed at ensuring the rational and accountable use of budgetary resources.

Additionally, this new system should bolster domestic entrepreneurship and, crucially, address urgent issues efficiently through budgetary financing.

Streamlining the procurement process is essential. We must prioritize quality over price, thereby effectively countering dumping practices, and fully automate the procedures. For the first time, full completion construction solutions will be incorporated into public procurement. Transparency should

be ensured through a new complaint-handling mechanism and the establishment of public oversight. As a result, the share of Kazakhstan-produced content in regulated procurements should increase to at least 60% within the next three years.

Many countries are now taking active steps to protect their domestic markets. Even in developed countries, there has been a shift toward protectionist industrial policy. In Kazakhstan, however, according to WTO classification, the level of protection for the domestic market is considered low, with only 128 non-tariff measures applied. Therefore, we need new, bold approaches to trade policy.

The state has a duty to protect domestic producers. This is not a signal to close our economy to the outside world; it should remain open, but with the interests of national businesses in mind.

It is well known that Kazakhstan has a well-developed mining industry, which is a reliable source of growth for the national economy. This should continue to be the case. On the world market, prices for most types of metals have reached historic highs. However, there has recently been growing discontent among citizens living near large-scale production facilities. They have been complaining about environmental deterioration and health risks. The number of injuries and deaths among workers is also on the rise. The Government must take decisive measures to improve technological and environmental conditions, as well as worker health and safety. Major industrial enterprises should undergo technological and environmental audits every five years. This requirement should also apply to infrastructure companies.

Geological exploration is an area of particular concern. In 2018, new legislation to manage the mining sector was adopted in order to upgrade the sector. However, it has not been fully effective. As a result, there have been no major geological discoveries in our resource-rich country for a long time. This situation needs urgent change.

We must modernize the management system of the mining sector as soon as possible. In most countries, private companies are the main drivers of the industry. Therefore, attracting large private investments is crucial for unlocking the sector's potential. This requires a flexible regulatory and fiscal environment. Preferential rights to use the subsoil should be granted to investors who undertake geological exploration at their own expense. The time and procedures for project approvals should be halved by introducing comprehensive state expertise and full digitalization of the process.

The Government's task is to increase the area of geological and geophysical exploration from the current 1.5 million square kilometers to at least 2.2 million square kilometers by 2026. Developing deposits of rare and rare-earth metals, which have essentially become new oil, should be a priority task. Countries that succeed in this area will set the course for technological progress worldwide.

By the end of this year, we need to develop a comprehensive vision for industrial development. To support manufacturing, foreign and domestic investors should be exempted from taxes and other compulsory payments for the first three years of their investment. This is a fundamental issue that should give a serious boost to the manufacturing industry.

Another important issue is to fully strengthen the defense industry, which plays a key role in ensuring national security in developed countries. The most important task is to create a production cycle with a high degree of localization to reduce dependence on imported supplies. Our army should be equipped with high-tech weapons and military equipment, including armored vehicles, unmanned aerial vehicles, and modern small arms. It is essential to strengthen production capacities for operational repair and support domestic enterprises. We possess the necessary material and technical base, skills, and personnel. These assets need orders from the relevant agencies. Work should continue transferring modern technologies and localizing new production facilities. A special Defense

Industry Development Fund will serve as a mechanism for the direct financial support of domestic enterprises.

We face another task: achieving a real breakthrough in the agro-industrial complex. The potential of the domestic agricultural sector is enormous, but we have not yet fully tapped into it. Large markets surround Kazakhstan that require quality food products. Our country's strategic goal is to become one of the leading agricultural centers on the Eurasian continent. This will only be possible with a gradual transition from primary production to higher value-added products. The aim is to increase the share of processed products in the agro-industrial complex to 70% within three years. To do so, we will need to revise tax policy to stimulate processing.

A qualitative breakthrough in the industry requires a critical mass of large players. In order to retain our own markets and increase exports, we must have enterprises capable of ensuring volume, quality, and regularity of supplies. Therefore, consolidation of domestic agro-firms should be encouraged, along with active engagement of transnational corporations on mutually beneficial terms. Priority should be given to sectors that are promising for us: deep processing of meat, milk, and grain, and the development of industrial greenhouse farming. At the same time, we should not overlook the potential of domestic agricultural enterprises. The example of the North Kazakhstan region, where more than 100 large dairy farms are being built, illustrates this point well. The professionalism of agrarians and the availability of a fodder base, combined with well-designed government support, are yielding good results. This experience should be extended to the construction of poultry farms, vegetable warehouses, and meat cattle breeding enterprises.

Support for small farms is crucial for rural development. The "Auyl Amanaty" program has proven its relevance. The next stage of its development should not only provide soft loans but also stimulate cooperation among private subsidiary farms.

The deterioration of machinery and the tractor fleet has become a serious problem; this indicator currently stands at 80%. Therefore, the renewal rate of agricultural machinery should be increased to 8-10% per year. The interests of domestic machinery manufacturers and agrarians must be considered.

Sales policy is especially important amid growing global competition and the reorientation of commodity flows. The Government faces the task of systematically expanding export geography. Measures should be taken to promote Kazakh goods in foreign markets.

Modern agriculture is a high-tech industry. Land and climate are no longer the determining factors for the success of agrarians; innovative solutions have come to the fore. Without modern science, the industry will not just stagnate but deteriorate. Measures should be taken to develop agro-science, especially its practical application in agriculture. The National Agricultural Research and Education Centre should be transformed into a vertically integrated agro-technological hub.

Scientific and practical cooperation with recognized foreign agro-science centers should be established. Private scientific and technological initiatives will be supported, and educational programs will be adapted to the needs of the agricultural sector.

Serious reforms are needed in plant science. Focus should be on diversifying crops, increasing areas under high-yielding varieties, and reducing water-intensive and monoculture crops. Providing farmers with indigenous seeds and breeding new productive varieties should be prioritized.

It is important to address the issue of excessive price regulation, which seriously hampers the development of the agro-industrial complex. The Food Contract Corporation should play a more active

stabilizing role. If necessary, it will intervene to restrain price growth and should support the private market in creating a comprehensive network for the production, storage, and marketing of agricultural products.

Last winter, a series of failures at thermal power stations sharply highlighted the problems of our worn-out infrastructure that have been accumulating for years. Outdated infrastructure directly impacts both the social well-being of citizens and the pace of industrialization. A new economic model cannot be implemented without renovating our infrastructure. The Infrastructure Plan being developed by the Government should identify all problems in this sector and outline ways to rectify them.

Energy security must also be addressed. We should rely as much as possible on our own resources. The key role is assigned to the power generation sector. Over the next five years, at least 14 gigawatts of new energy capacity will be introduced. The reconstruction of the first unit of the Ekibastuz Hydroelectric Power Station-1 will be completed this year. For the first time, the plant will operate all eight units. The project to expand Hydroelectric Power Station-2 is in process, while the project on Hydroelectric Power Station-3 is about to start.

Kazakhstan should not have to import electricity or be dependent on neighboring countries. The current situation is unacceptable from all viewpoints, particularly in terms of state security.

Of course, the implementation of renewable energy projects will continue. Special emphasis should be placed on the development of hydroelectric power plants. Energy, heat, and water supply constitute a single, technologically interconnected system. This system should be treated as an important, separate branch of the economy. The current approach has largely exhausted itself. Today, new solutions are required.

It is necessary to reset the tariff policy, implement new methods of tariff setting, and increase the investment attractiveness of the industry. Adequate market tariffs should be introduced for all natural monopolies for a period of 5-7 years. A guaranteed long-term tariff will allow for better planning of investments and serve as reliable collateral when attracting credit funds.

At the same time, the responsibility of monopolists should be significantly increased. Digital control tools will be introduced, and citizens' access to information on the execution of tariff estimates and investment programs will be expanded. Further gasification of the country is also on the agenda.

Expanding the resource base of marketable gas is a priority task for the Government and the national gas company. It is necessary to accelerate the construction of new gas processing plants and to fully involve existing processing capacities in the circulation. Our oil and gas giants—Tengiz, Kashagan, Karachaganak—must be reliable suppliers of affordable gas. Attracting investment in the exploration and development of new gas fields is also important.

Electricity, heat, and water are basic goods necessary for a comfortable life. These resources should be used responsibly and carefully. This approach should serve as the basis for a new household culture in our country. This notion applies not only to households but also to all participants in economic relations. Wasteful consumption is no longer acceptable.

The Government needs to fundamentally revise the current energy efficiency policy in line with OECD standards. Clear regulatory requirements for energy efficiency and resource conservation should be introduced step-by-step. The goal is to reduce key energy consumption indicators and energy intensity by at least 15% by 2029.

Emphasis should be placed on the development of a green economy. It is clear that in the long-term period, a global transition to clean energy is inevitable. According to international analysts, about a third of global capital investment is already being invested in renewable energy projects. Kazakhstan has also made significant progress in this field, adopting a new Environmental Code and a Strategy for achieving carbon neutrality by 2060. The share of renewable energy in total generation has increased to almost 5% over the last five years. By 2027, another 1.4 gigawatts of capacity will be commissioned. The structure of the country's energy balance will inevitably change. Therefore, it is necessary to enhance approaches to managing the entire energy industry, from generation to sales.

The development of hydrogen generation is necessary. The expansion of generation facilities serves as the basis for technology transfer and the localization of production in power engineering, as well as the creation of the battery industry. Fortunately, we have abundant raw materials. New solutions are needed in the field of creating balancing capacities and energy storage systems. The transition to carbon neutrality can be accelerated by greenhouse gas emissions trading. The Government and businesses should seize the opportunities in these areas.

Attracting green finance is becoming increasingly important for leading economies. Over the past seven years, more than two and a half trillion dollars have been spent on green bonds worldwide. ESG principles (Environmental, Social, Governance) have become standard practice for financial organizations in a short period of time. In this regard, the Astana International Financial Centre should become the main platform for attracting green funding in our region.

The development of nuclear power is a particularly important economic and political issue. There are different opinions on the feasibility of building a nuclear power plant in our country. On the one hand, Kazakhstan, as the world's largest uranium producer, should have its own nuclear generation. Some experts support the idea of building plants with small reactors. On the other hand, many citizens and some experts have safety concerns about nuclear power plants. This is understandable, given the tragic legacy of the Semipalatinsk nuclear test site. Public hearings and comprehensive discussions on this issue should continue. In my 2019 election platform, I promised that decisions on the most important strategic issues would be made through referendums. The decision to construct or refrain from building a nuclear power plant is a highly significant issue that greatly impacts the future of our country. Therefore, I propose to submit it to a national referendum. Specific dates will be determined later.

The issue of water availability and quality remains critical. Given the growth of population and the economy by 2040, the water deficit in Kazakhstan may reach 12-15 billion cubic meters. Our country depends on transboundary water resources. Eurasia's rivers and canals are a shared natural asset designed to unite peoples and economies. We should always seek understanding and a mutually beneficial consensus with our neighbors and friends on this issue. Therefore, conducting a balanced water policy and solving issues of transboundary water use are the most important tasks of the Government.

Farmers and industrialists need qualitative analyses and forecasts on water supply, covering both annual supplies and the medium-term perspective. Therefore, planning in advance is necessary. At the same time, it is crucial to manage inland water resources in a rational manner. The process of introducing water-saving technologies is extremely slow, and there is no culture of responsible water consumption. Losses in agriculture, as a key water consumer, reach up to 40% in some regions. The existing condition of water management facilities exceeds 60% deterioration. Decisive and quick measures are needed to rectify the situation. Firstly, the introduction of advanced water-saving technologies should be accelerated, targeting up to 150,000 hectares per year. It is necessary to address the issue of meltwater accumulation and losses during its transfer, as this represents our internal reserve. For this purpose, we should build 20 new and reconstruct at least 15 existing

reservoirs, and modernize and digitize at least 3,500 kilometers of canals. The aim is to provide about two additional cubic kilometers of water by 2027.

Introduction of water-saving technologies is a pressing issue that requires immediate action. Concurrently, we cannot do without a new tariff policy that suits the current circumstances. The outdated infrastructure is operating to the limit of its capacity. Creating a new one is a market task. Excessive water consumption will result in increased tariffs. In summary, it is necessary to conserve water in every possible way. At the same time, the black market for water must be completely eradicated. Water is a limited resource; its availability is crucial for the survival of farmers. Therefore, violations in this area will be strictly suppressed and punished to the full extent of the law.

Water resources are no less important for our country than oil, gas, or metal. In this regard, I am ordering the establishment of a full-fledged independent department to manage water resources effectively. The Ministry of Water Resources and Irrigation will be created. The National Hydrogeological Service will be reconstituted within this new ministry. The entire water management system, including key water companies like "Kazvodkhoz" and "Nurinsk group water pipeline," will be reformed. This will require significant material and, most importantly, personnel investments in the sector.

Growing water scarcity is a common problem for Central Asian countries. Rational use of water resources, coupled with energy and transportation, can become another important element in a new model of regional cooperation. I instruct the Government to address this issue thoroughly with our neighboring countries.

Realizing the full potential of transport and logistics is of strategic importance. We are witnessing the emergence of a new global economic geography. Trade flows from China to Europe, Russia, Central Asia, and back are expected to grow rapidly.

Kazakhstan is at the crossroads of the global North and South, as well as the West and East. This presents a significant advantage that opens up wide prospects for us.

The transportation and logistics industry should become a cornerstone of the country's economic development. In a competitive environment, it is vital to promptly address this industry's key issues. First and foremost, we should implement several major railway projects, such as "Dostyk – Moyinty," "Bakhty – Ayagoz," "Darbaza – Maktaaral," and the Almaty bypass line.

In the transportation sector, Kazakhstan will continue its cooperation with Russia and China. The Trans-Caspian route will play an important role in strengthening our transit potential. In the medium term, the volume of transportation along this corridor could increase fivefold. To accomplish this, coordinated efforts with partner countries—China, Azerbaijan, Georgia, and Turkey—are necessary.

A new dry port is slated for construction at the "Bakhty" crossing point. Steps will be taken to accelerate the construction of a container hub in Aktau and to expand port capacity in the Black Sea along the Middle Corridor. Construction of Kazakh terminals in the Chinese city of Xi'an and the Georgian port of Poti has already begun. These are tangible examples of how the Chinese "Belt and Road" megaproject can synergize with our national initiatives.

Maintaining constructive and good-neighbourly relations with all neighboring countries is essential for realizing our transportation potential. This includes Russia, China, and our neighbors in Central and South Asia.

Furthermore, we need a comprehensive plan for developing maritime infrastructure, wherein the port of Kuryk will play a designated role. It should evolve into a full-fledged logistics cluster akin to Aktau.

The international corridor known as "North-South" is another key focus, providing our country with access to the Persian Gulf ports. Incrementally, the capacity of the railroad portion of this route should be doubled. It is necessary to start the modernization of the Kazakhstan section of the "Bolashak-Chelyabinsk" railway line.

For effective integration into international routes, it is important to provide a full range of logistics services. The airports in Astana, Almaty, Shymkent, and Aktobe should evolve into multimodal centers offering competitive and high-quality cargo storage and distribution services.

Generally, the industry's development will require an appropriate tariff and regulatory policy, as well as active private investment.

It is necessary to complete the transformation of Kazakhstan Temir Zholy into a full-fledged transportation and logistics company as soon as possible.

Addressing issues in highway construction is also imperative. The quality of the work is often subpar, and the sector is plagued by corruption and a lack of competition. Concrete measures should be taken by year's end, with all responsible companies held accountable according to the law. I am paying special attention to this issue. We need to tighten control and adopt new regulatory documents.

By 2029, over four thousand kilometers of highways are slated for quality reconstruction.

Overall, Kazakhstan should strengthen its position as a transit hub in Eurasia and to eventually become a full-fledged power in the transport and logistics sector. The dynamic development of this sphere is a strategic task. Over the next three years, the share of the transport and logistics sector in the GDP should reach a minimum of 9%, up from 6.2% in 2022. To achieve this, it is fundamentally important to ensure effective management of the industry. The Ministry of Transport should be re-established and will also be responsible for road infrastructure construction.

As you already know, I place great emphasis on the issues of digitalization and the implementation of innovation. We have a strategically important task: to transform Kazakhstan into an IT-centric country.

We have already achieved significant milestones in the field of digitalization; we are among the world leaders in e-government and fintech development indices. The export volume of our domestic IT industry grew fivefold just last year. By the end of this year, this figure may reach \$500 million, and this is not the limit.

The Government's new goal is to increase the exports of IT services to \$1 billion by 2026. To facilitate this, we plan to open joint ventures with major foreign IT companies. The Government should produce detailed proposals on this issue.

The use of artificial intelligence technologies requires special attention. It is predicted that more than one trillion dollars will be invested in this sector in the next few years. Successful development in this area could significantly increase the GDP of individual countries. By fully utilizing the capabilities of artificial intelligence, we could make a qualitative leap toward a knowledge-based economy.

Cooperation with leading international companies should be established. It is also crucial to focus on training qualified specialists. At least three renowned universities should be involved in both training and research in this field.

Our country has the potential to become a platform for selling computing power to global players. To achieve this, we need to create attractive conditions, including incentives to attract investment for the construction of large data centers, as well as to promote Kazakhstan's interests in data storage and processing.

The time has come to establish guiding principles for digitalization through legislation. I call on the Government, the expert community, and members of Parliament to prepare a comprehensive sectoral document.

My election program included an initiative to develop a law on Science and Technology Policy. It is crucial that the bill currently being prepared aligns with our principles of economic development through science and innovation. We need more than declarative statements; we need effective measures to support private initiatives for creating innovative infrastructure—such as business incubators, commercialization centers, technology parks, and design bureaus. Leveraging successful foreign experience is essential.

Venture capital financing should become the primary source for launching innovative projects. Therefore, resolving all legal and financial issues is necessary to increase the interest of both domestic and foreign investors in these projects.

Next, the current focus of innovative development is on creating suitable ecosystems in Astana and Almaty. However, this is insufficient. During my trips to various regions, I consistently encounter talented and creative citizens. It's crucial to establish conditions that allow individuals to realize their full potential. I have set the task of building a comprehensive innovation ecosystem in all regional centers, closely coordinated with the real sector and based on regional universities. The experience of Astana Hub should be expanded and replicated.

Another area for economic and employment growth is the creative industry, which includes media, cinema, music, design, education, and information technology. In today's world, a genuinely inclusive economy is developed through creative production that harnesses the creative potential and intellectual capital of its citizens. Moreover, the creative economy is increasingly becoming the driving force behind the development of large cities that attract talented and creative individuals.

This sector is still underdeveloped in Kazakhstan. The contribution of the creative industry to the GDP does not even reach 1%, and its share in the employment structure is also extremely low. However, we have many compatriots who have gained international recognition due to their talent.

We must create all the conditions necessary for the large-scale development of the creative economy in our country. This includes legal tools to protect intellectual property, which is a fundamentally important asset, akin to equipment or technology.

Currently, the centers for the creative industry are concentrated in three major cities: Astana, Almaty, and Shymkent. Meanwhile, the regions remain neglected. This needs to change. Talent attraction points, also known as Creative Industry Centers, should be established in every regional center and major city. These centers should also assist participants in the commercialization of their products. The unique characteristics of the production process within creative industries often prevent them from fully participating in existing entrepreneurship support programs and gaining access to funding.

Therefore, I believe it is necessary to develop a separate package of measures to support creative individuals.

Next, I will focus on the development of medium-sized businesses. Measures taken in recent years have ensured the stable growth of both small and large businesses. However, the development rate for medium-sized businesses is lagging. To successfully transition to a new economic model, this sector's growth will require more hands-on attention.

Firstly, it is necessary to remove the obstacles that hinder the growth of medium-sized businesses. It is no secret that many such businesses, as they grow, fragment themselves to fit into the more convenient category of small businesses. The Government should amend legislation to encourage the consolidation of these smaller entities.

Not many medium-sized enterprises are actively developing markets within the country, and they need support. A specific plan should be drawn up for each, aimed at doubling or tripling their capacity and production. Existing programs like the "Business Roadmap" and the "Economy of Simple Things" should be merged into a comprehensive program to support small and medium-sized enterprises.

State support should be differentiated based on the level of technological complexity of production and business categories. Operational efficiency in state support is of utmost importance. Therefore, restructuring the "Baiterek" Holding and implementing a comprehensive digitalization process are necessary steps.

Export promotion also requires careful attention. While mechanisms exist, there is a lack of a systematic approach. A full-fledged export promotion institute should be established on the basis of the "KazakhExport" company, consolidating all the necessary tools within it.

Additionally, it is important to restart the operations of "Otbasy Bank," shifting its focus from regional centers to districts, single-industry towns, and villages.

It is clear that the successful development of entrepreneurship cannot happen without fostering competition. Currently, a few large players dominate several basic industries, leading to market distortions. To address this, the Agency for Protection and Development of Competition should collaborate with the Government to take measures aimed at breaking up monopolies in key markets.

While we have created favorable conditions for commodity exchanges to facilitate organized trade, inadequate regulation has given rise to what are termed "pocket" commodity exchanges. These have become platforms that eliminate competition by sidestepping procurement procedures in favor of imports and engaging in unproductive intermediation. To rectify this, regulatory requirements should be tightened to eliminate these shortcomings. Simultaneously, it is crucial to ensure that domestic producers gain full access to advanced trading tools.

We cannot afford to limit ourselves to just the national trading system. In collaboration with the business community, we should explore the creation of a robust regional commodity exchange.

Another pressing issue is the limited ability of the antimonopoly authority to take swift action against violations. Currently, two-thirds of antimonopoly investigations are challenged in court before they even begin, and the legal process can stretch on for years. This effectively cripples the agency's work. To address this, the Government needs to introduce legislative amendments to Parliament.

Denationalization of the economy is another serious task at hand. Assets that have been illegally privatized and transferred are now being returned to the state. As we are committed to building an open, competitive economy, these assets must be reintroduced to the market, but in a transparent manner that benefits the state.

In sum, the privatization processes and public IPOs need to be significantly accelerated. The primary goal is to enhance both transparency and efficiency in asset management. I direct the Government to initiate the privatization of all non-core assets and to start conducting public IPOs for companies under the "Samruk-Kazyna" Fund, beginning in 2024. For the next year, we should aim to carry out a public IPO for "Air Astana," prepare "QazaqGaz" for market entry, and divest state assets in major companies.

Another important issue is the state of the entrepreneurial climate in our country. A constructive dialogue between the Government and businesses is essential, especially during this transitional period. It is clear that government agencies are prone to certain shortcomings and excesses in their operations. Therefore, further decriminalization of economic crimes is warranted. This applies specifically to entrepreneurs and economic offenses. A just mechanism for setting the parameters of criminal liability for tax crimes should be introduced.

The harassment of entrepreneurs by law enforcement agencies must come to an end. While I acknowledge that such reports may sometimes be intentionally exaggerated or entirely false, this issue should not be ignored in any case.

The topics of supporting domestic entrepreneurship, easing regulatory pressures, and fostering competition deserve separate, in-depth discussions. To that end, I plan to convene a special meeting with local businesses soon.

Next, we need to recalibrate our macroeconomic policy.

I have outlined the primary directions for reforms across various economic sectors. A precondition for their successful implementation is macroeconomic stability. This is a given. It is necessary to establish coordination of financial, fiscal, and monetary policy.

The main problem limiting economic growth is a lack of investment. A deficit in investment means no future growth. Last year, investment in fixed capital amounted to only 15% of GDP. This is largely because domestic banks have little involvement in the development of the economy. This situation forces the Government to be involved in direct financing, guaranteeing, and subsidizing. This is costly, inefficient, and contrary to the principles of a market economy.

In addition, amid the decline in lending to the real sector, the focus of banks' activities shifted to consumer loans. This led to an increase in risks for the financial system and to excessive borrowing by citizens.

My decision in 2019 to write off unsecured loans for 500,000 citizens, as well as the law on individual bankruptcy that came into force, have reduced the severity of the issue. However, new systemic measures are needed to fundamentally rectify the situation.

At the same time, it is extremely important to improve the financial literacy of citizens themselves. In this regard, I would like to mention the project "Qaryzsyz qogam" (Debt-free society) implemented by the Amanat Party. Within the framework of this project, more than 20,000 people in eight regions of the country improved their financial literacy. Many of them had already taken out 10 or more loans in the past. This project has shown its effectiveness in a short period of time. I am instructing the

Government, together with the Amanat Party, to expand its coverage. The “Qaryzsyz qogam” project should work for the benefit of citizens throughout the country.

The problem of insufficient lending to businesses needs to be addressed drastically; the economy needs money.

The net profit of banks last year was almost one and a half trillion tenge, and for the first half of this year, it was more than one trillion tenge. Such super-profitability is not the result of efficient work by the banks, but mainly a consequence of the high key interest rate used by the National Bank to fight inflation. The Government and Parliament should consider a more equitable redistribution of these profits, taking into account the interests of the country.

Also relevant is the issue of the huge profits made by financial organizations by placing liquidity in tax-exempt government securities, also known as bonds. There is no logic here and no governmental approach. The Government is already addressing this paradoxical situation. The relevant legislative amendments will be introduced to the Mazhilis. I ask the deputies to consider them carefully.

At the same time, banks need to be encouraged to participate actively in corporate lending and to support entrepreneurs. Business lending should be subject to more favorable prudential and fiscal regulation than other types of banking activities. I am aware that this is a difficult and sensitive issue. I instruct the Government and financial regulators to give their final opinion on this important issue within a year.

Measures need to be taken to bring the frozen assets of banks totaling 2.3 trillion tenge into economic circulation. In this regard, I instruct the creation of a transparent digital platform through which interested businesses will be able to purchase these assets and return them to the economy.

In order to expand the real sector's access to "long money," mechanisms of joint and syndicated lending should be used more actively. Industrialists and entrepreneurs should not act as a "credit hoover"; they are required to provide high-quality projects that will ensure real diversification of our economy. To increase the interest of commercial banks, we should consider providing them with guarantees from development institutions when financing priority projects.

Another problem of the banking sector is its high concentration. Currently, there are 21 banks operating in the country. At the same time, only a few large banks are involved in corporate lending, i.e., the financing of economic projects. To increase competition in this sphere, three reliable foreign banks should be attracted to the country.

In general, the fundamental objective is to ensure annual growth of loans to the real sector at a level of 20% and above.

Discussions about potential sources for financing the economy frequently involve the role of the National Fund's resources. Experts debate the balance between the fund's savings and development functions. Undoubtedly, the primary role should be that of savings. The resources of the National Fund serve as a robust safeguard for financial stability in the face of unforeseen challenges.

At the same time, some of the Fund's resources can and should be deployed now to finance strategic projects that will shape Kazakhstan's future. The National Fund is already backing several significant initiatives. However, we lack a systematic approach to project selection. Therefore, it is crucial to ensure comprehensive evaluation of incoming proposals, so that every tenge from the National Fund yields tangible returns.

Another source of "long money" is a fund to be created under the Law on the Return of Capital. All incoming funds should be used as efficiently and transparently as possible to solve national problems.

The next priority is the development of the stock market. Currently, Kazakhstan has two stock exchanges that largely duplicate each other and sometimes even compete. This redundancy is excessive for our financial system. To enhance the capacity and appeal of the domestic market, I instruct that the issue of consolidating these exchanges under a single management structure be explored.

The sustainability of payment systems remains a highly relevant financial topic. Last year, the National Bank launched the first component of the National Payment System, which is currently running in pilot mode. I entrust the National Bank to complete the process of full-fledged implementation of the National Payment System by 2024.

Now, I would like to address fiscal policy, which is a very important issue. Last year, I instructed a transition from budget management to results management. This task will be accomplished through the adoption of a new code designed to increase the openness, responsibility, and autonomy of participants in the budget process.

In addition, to further improve the effectiveness of budget policy, new tools and opportunities must continually be sought. Therefore, I instruct the Government to pilot a full-fledged block budget project involving several ministries and regions.

Furthermore, important reforms in regional policy have already been implemented, including the introduction of direct elections of akims (mayors) and administrative reforms. However, a fundamental change in inter-budgetary relations is also urgently needed.

As part of the transition to a new economic model, the level of budgetary autonomy of the regions will be increased. The decision to transfer a portion of corporate income tax revenues and other types of payments to the regions has already yielded positive results. Last year, the growth of regional revenues exceeded 30%. Therefore, as a next step, this approach will be extended to other taxes, including VAT.

The task is to transfer at least an additional two trillion tenge to the second level of the budget. As a result of gradual fiscal decentralization, the share of transfers from the republic in the structure of local budget revenues should decrease to an average of 25% (currently 50%).

In addition, I believe that district akims should be given the authority to independently form their budgets, which will significantly speed up the resolution of urgent local issues.

It is also necessary to consider transferring to the regions the authority to determine preferences for the portion of taxes collected in the local budget. This measure will provide a significant impetus to business development and contribute to the sustainable progress of the regions. Therefore, when transitioning to a new model of budget relations, all akims should focus on efficiency and benefits for the country as a whole.

Another important point: the differentiation of tax rates across various sectors of the economy, which I announced earlier, should ensure the distribution of the tax burden in proportion to the complexity of production.

Entrepreneurs rightly complain about the complex VAT refund procedure, as it significantly worsens the investment climate in the country. The Government should promptly address this long-standing problem.

It is time to finally simplify tax incentives, which should be utilized as a focused tool for economic growth. Uncollected taxes result in unbuilt hospitals, roads, and schools.

The volume of tax benefits should be carefully analyzed and reduced by at least 20%. The remaining preferences should be granted according to clear rules and not be tied to individual projects or persons.

As for tax administration, the transition to a service model of interaction between fiscal authorities and taxpayers is necessary. The goal is not to punish, but to prevent.

Complete digitalization of tax control is needed, and forms of tax reporting should be reduced by 30%. It is also feasible and necessary to reduce the total number of types of taxes and other mandatory payments to the budget by a minimum of 20%. In cases where there is no significant fiscal impact, these should be completely eliminated; the remaining types can be combined.

The initiative to introduce a retail tax has proven its relevance. Taking into account this positive experience, the Government will double its scope.

The introduction of progressive taxation should also be accelerated.

As part of the reset of tax policy, both the Government and Parliament are required to make bold and verified decisions.

I want to emphasize that Kazakhstan's economic development strategy will be based on the interests and needs of our citizens; it should be as human-centered as possible. To that end, we must gradually but steadily move away from being solely reliant on raw materials as a state.

More than 400,000 children are born in our country every year. By the end of the year, Kazakhstan's population will reach 20 million. The average life expectancy is also rising; it surpassed 74 years at the end of last year. Our country is considered one of the youngest in the world—the average age of citizens is only 32. About a third of the population is young. The Government's task is to turn current demographic trends into competitive advantages.

The foundation for forming a harmonious personality and responsible citizen is laid in childhood. Every child in the country should have a happy and safe childhood.

As Head of State, I demand stricter punishment for any form of violence against minors.

Special attention should be paid to the safety of road infrastructure, buildings, clothing, and food for children.

The mental health of the younger generation is important as well. It is crucial to institutionally strengthen psychological support services in educational institutions, establish a centralized helpline, and develop an effective program to help those affected by violence and bullying.

An inalienable right of every child is to receive a quality school education; "quality" is the key term here. Therefore, we must consistently improve the quality of education and elevate the competence of teachers.

The process of ensuring educational equality should be accompanied by increased Internet speed and free access to digital educational resources.

The educational system needs transformation to meet the labor market's demands. Several sectors of the national economy are experiencing labor shortages, especially in technical and working professions. We need to focus on relevant education, and educational institutions should build long-term partnerships with potential employers.

Flexible funding mechanisms are necessary, depending on economic priorities, regional specifics, and industry.

Demographic growth in our country is increasing the demand for education. However, state measures in the education field are incomplete and lack cohesion. Therefore, I instruct the introduction of a unified voluntary accumulation system called "Keleshek," providing coverage for children from the age of five. This program should offer government funding for educational start-ups, annual state premium payments, and investment income. These savings, along with the funds from the "National Fund for Children," will enable children to receive quality education.

We are witnessing significant changes in the labor market, where the digital economy will increasingly play a crucial role. Platform employment is becoming more common; already, more than half a million people work in this sector. However, their labor rights are still poorly protected. Effective mechanisms for labor rights protection in this category must be developed and fully regulated.

The high rate of industrial injuries remains a significant issue. By year's end, the Government needs to adopt the Concept of Safe Labor through 2030, aiming to prevent and eliminate occupational risks. On my instruction, the Government has developed a social support mechanism for long-term workers in hazardous conditions. The issue has been under discussion for a long time, and now a solution has been found. Given the significant contribution of workers to industrial development and the degree of health risk, such workers will receive a special social payment even before they reach retirement age, specifically starting at age 55. I ask Parliament to promptly consider the Government's proposals. People are waiting for a solution to this issue.

Further, as we promised, the Government will continue to gradually increase the minimum wage. In order to boost the incomes of citizens, I instruct that the minimum wage be increased to 85,000 tenge from January 1, 2024. Thus, we have doubled the minimum wage in three years. This measure will positively impact the welfare of about 1.8 million citizens, including 350,000 state employees.

In general, for the comprehensive development of the labor market, the Government should approve a Comprehensive Plan extending until 2030 as soon as possible.

In addition to clearly defining the principles and priorities of the new economic policy, the qualitative and full-fledged implementation of the planned reforms is critically important. Moreover, this process directly depends on the competence, responsibility, and political will of civil servants.

The executive branch will bear the primary burden of responsibility for these reforms. Therefore, it needs a transformation in the following basic directions:

Firstly, the preparation and execution of sectoral decisions, as well as personal responsibility for the results, will be entirely assigned to the ministers. They must make the necessary decisions through their orders promptly. The same applies to local akims (mayors).

Secondly, the Government will be fully responsible for implementing economic policy. It should have all the necessary tools for independently managing the economy, free from unnecessary red tape and bureaucracy, without the need for coordination with the Executive Office of the President.

Thirdly, the Executive Office of the President, becoming a “political headquarters,” will focus its efforts on the strategic directions of socio-economic development of the state, issues of domestic and foreign policy, defense and security, legal and personnel policies.

The work on de-bureaucratization of the state apparatus will continue. The state planning system will undergo a radical revision to become more compact and flexible. It is necessary to review the mechanism for monitoring and controlling the execution of orders.

Society’s demand for new approaches, innovative ideas, and new personnel is as high as ever. Therefore, a personnel reserve of political employees will be established, laying the groundwork for a robust “bench” of talent. This step is very important when there is a severe shortage of qualified personnel. We have more than enough people who aspire to high positions, but their qualifications do not meet the requirements. Therefore, we must address the personnel issue in detail and train high-quality specialists. To do this, we need to tap into the personnel potential of political parties.

At the same time, it is important to consistently expand the direct participation of citizens in decision-making at the level of local executive authorities. For more than two years, citizens have been choosing the akims of villages, towns, and rural districts themselves. During this time, three-quarters of the akims at the rural level were elected. Now we must test the electability of district and city akims of regional significance.

Dear Compatriots,

All the projects and initiatives presented today for the economic development of the country are based on detailed calculations and research. By quickly and radically rebooting the entire economic system, we will ensure the prosperity of our country and increase the well-being of the people.

The main goal of the planned reforms is stable economic growth at the level of 6-7%, in order to double the volume of the national economy to 450 billion US dollars by 2029.

Undoubtedly, this is a large-scale and challenging task. However, we need to ensure a fair distribution of national wealth so that every citizen feels the benefits of progressive economic development. This is a matter of principle. For the sustainable future of our state, we must fulfill this strategic task at all costs.

I continually discuss the key directions of the country’s development, and today I will outline our main guidelines. We have a clear vision of the future: we are building a Just Kazakhstan—a country of equal opportunities and progress. We are constructing a well-functioning State where law and order, a culture of dialogue, responsibility, and solidarity are upheld.

All provocations aimed at undermining public order must be strictly suppressed. Unfortunately, law enforcement agencies and regional leaders are not performing their duties to the required standards and fail to ensure the enforcement of the rule of law. As a result, unacceptable situations repeatedly occur in society. Therefore, acts of vandalism in our streets and natural areas, lack of discipline, lack of cultural awareness among some citizens, and various kinds of domestic conflicts negatively affect the country's reputation in the international community.

I reiterate: our main goal is to ensure strict compliance with the law and public order.

We strive to be part of an open, modern world, developing culture, education, and science.

Achieving the ambitious goal ahead of us will not be easy. However, if we combine the efforts of citizens, businesses, and government representatives, then we can accomplish it. Only this way will we be able to radically transform the existing model of state development and overcome all difficulties.

In general, you can all see that the situation in the world is very complicated, humanity is facing various challenges. Many countries are experiencing natural disasters, experiencing shortages of electricity and food. According to experts, July this year was the hottest month on record. In many countries, inflation and rising prices are increasing. Confrontation is growing between states, armed conflicts are flaring up. The number of refugees in the world has exceeded 110 million. All this has a negative impact on Kazakhstan. However, even in the face of global turbulence and uncertainty, we will firmly follow our course.

Of course, the path of progress and development is not smooth and straightforward. No one from the outside will come and make Kazakhstan better; that responsibility lies with every citizen of our country, who must keep up with the times. In these times of crisis, our people must maintain unity and cohesion. There is no other option.

Political and economic reforms alone are not sufficient to build a Just Kazakhstan. First of all, a change in public consciousness and the aspirations of citizens is required; without this, all other efforts will be in vain. I spoke about this in detail at the second meeting of the National Kurultai (Congress).

The formation of a new quality of the nation is of particular importance for our country. All citizens, especially young people, should embody the best qualities, creating a unified system of societal values. If everyone possesses qualities like patriotism, education, hard work, discipline, responsibility, fairness, thriftiness, and responsiveness, then there will be no limits to what we can achieve. This is the deep meaning of the concept of "Adal Azamat" (Responsible Citizen), which originates from the teachings of Abai about the "Perfect Man."

I reiterate: the concepts of Just Kazakhstan and "Adal Azamat" as fundamental values should always go hand in hand. In fact, where there is no responsibility, there can be no justice. If every person is a responsible citizen whose actions align with their words, then justice will prevail in the country.

We all share one homeland—Kazakhstan. Moreover, it is in our hands to make our country strong and successful. It is our sacred duty to ensure the protection and prosperity of our native land, the priceless heritage of our ancestors. In addition, I call on every citizen to carry out this high mission with dignity. To preserve unity and work hard, to transform the country and pass on a developed state to the younger generation—this embodies true adherence to the precepts of our ancestors.

Thank you all for your attention!