Address of the President of the Republic of Kazakhstan, Nursultan Nazarbayev, to the People of Kazakhstan, February 18, 2005

**“Kazakhstan on the Road to Accelerated Economic, Social and Political Modernization.”**

**February 18, 2005**

**Dear Fellow Citizens of Kazakhstan! Compatriots!**

**1 Where did we start**

The 1990s brought Kazakhstan a true independence, and with it a dramatic change in our lives. An unprecedented level of passion and enthusiasm marked those years. Those were the years of the most fateful decisions that would determine the future course of our nation, and when one erroneous step could have set the whole country on the wrong track. The people put their trust in me to lead the nation over this period. In honoring this trust, I tried to lay down the path of our strategic development by always keeping the people’s interest at heart.

After almost fifteen years, I would like to invite you to consider the results of our joint efforts. We have every right to be proud of what we have accomplished.

So, how did we start, what did we have to work with at the beginning, and what were our real chances for success?

The socio-economic and political situation in the country was precarious. Seen from the outside, our political and economic future looked grim. The nation’s economy was in disarray, its political system embryonic; its treasury empty; its Constitution was a legacy of the Soviet times, as was its military complex.

We were irrelevant to the world community, which was only concerned about our nuclear potential.

Looking back 20-25 years from now and evaluating the results of “Kazakhstan’s Strategic Development Program till 2030”, the next generation of state managers will find it hard to believe how far we have come from that inauspicious start.

I am sure they will envy us, our courage, our energy, our creativity, and our freedom. Only the strong of heart could have accomplished what we have done together.

We had a clear goal. We wanted to live better, to pursue freedom, and most of all, we wanted to make sure that our children and grandchildren would have a future worthy of them, and that our nation would become an equal, proud and predictable partner to others in the world community of nations. We have worked towards these goals for many years of our lives.

Our efforts were not in vain - just look what we have achieved!

Let’s look at the last ten years since the introduction of the national currency, which signified our economic independence. This year is also the tenth anniversary of our Constitution, which became the cornerstone of our stability and economic growth.

**2 By doubling our GDP, we will together build another Kazakhstan.**

**2.1 We have built a functioning market economy.**

We put our faith in a radical market reform of our economy, introduced expedited market reforms, and passed the necessary legislation. Kazakhstan today has a functioning market economy.

Ten years ago, our per capita GDP was barely over $700; by the end of 2004 it was $2,700, and the economic forecast for this year will put our per capita GDP beyond the $3,000 threshold.

I believe that by 2010 we can exceed $5,800 per capita, i.e. reach the level of the Czech Republic, Hungary, Poland, and Malaysia. By 2015, we should be at $9,000 per capita. Based on purchasing power parity indicators, we have already come close to this level.

We expected to double our GDP by 2010 from the level of the year 2000; I am confident we can reach this goal by 2008.

Today, the main driving engine of our economic growth is our extractive industry. Since 1985, we have increased the production of hydrocarbons by 225%; over the same period the global output has grown by less than 1.3 times.

We have attracted about 30 billion USD in foreign direct investment. This is an enormous achievement. Today investors know Kazakhstan as a reliable partner that guarantees stability and mutually beneficial cooperation.

International experts have recognized the financial system of Kazakhstan as one of the most advanced.

First among the CIS countries, Kazakhstan established the National Fund for Stable Socio-Economic Development, which will reduce our vulnerability to external shocks.

By now the National Fund has accumulated $5.3 billion. Our total gold reserves, including the National Fund, exceed $14 billion. We could not even dream about such a reserve ten years ago!

We have consistently pursued the policy of open trade. In 2004 our foreign trade volume approached USD 33 billion with a trade surplus of USD 7 billion, or three times the level of 1994.

Our foreign trade, which in the early years of independence was primarily with other members of the Commonwealth of Independent States, has become much more diversified among many partners.

In 2004, Kazakhstan’s main trading partners were the European Union, Russia, Switzerland and China.

We are witnessing our nation integrating itself in the global economy, and inevitably being drawn into global competition.

**2.2. We have started to live better.**

According to the World Bank classification, Kazakhstan now belongs to the group of middle-income countries.

When one compares the quality-of-life indicators at the beginning and the end of the last decade, one can see that the average income has grown almost fivefold; monthly salaries have increased by about 6 times; the minimum wage has gone up 25 times; average monthly pension by 4.6 times; and personal and average per capita banking deposits, by 35 and 37 times, respectively. Compared to 2003, state expenditures on guaranteed free health care have risen by 1.7 times.

Rapid economic growth has made it possible to expand substantially the social targeting of government expenditures, which is a reflection of the robustness of our economy.

In a record short time, we have built the new capital city in the very heart of our nation. Every visitor to Astana is amazed by its transformation. The people of Kazakhstan are proud of its new capital.

**2.3 For the first time in our history, we have established an independent state founded on the principles of Western democracy, the experience of advanced East-Asia states, and the specific features of our religiously diverse society.**

We have always kept in mind that democracy is our goal, not the starting point. We knew that democracy cannot be decreed; it can only be gained by labor and passion.

Kazakhstan statehood has arrived to stay. Kazakhstan’s model of political development is close to that of Western democracies and other so-called “new” Asian democracies, whose social progress and political pluralism are recognized around the world.

I believe we have attained major results in political liberalization.

Let me just point out the following accomplishments:

- Kazakhstan has been steadily building up the institutes of democracy; we have regularly held free democratic elections; and we have implemented and maintained the principle of the division of powers and the system of checks and balances;

- Political pluralism and a multiparty system have become a feature of our society; any citizen of Kazakhstan is free to associate himself or herself with any public or political grouping;

- We have created functioning institutes of the civic society, including over five thousand NGOs;

- The foundation for the independent judiciary has been laid down to ensure the supremacy of the rule of law. Public confidence in our court system has been growing;

- In our country, we have established freedom of speech; there is no censorship, and independent mass media is thriving. You may recall the attempt during the previous session of Parliament to limit freedom of the media; I had to veto the bill and thereby once more assert our firm commitment to freedom of speech;

- Kazakhstan has made important strides, and achieved substantial progress, in securing the rights and freedoms of its citizens; the institute of the human rights ombudsman has been established; and Kazakhstan has joined international human rights conventions. We have guaranteed civil rights, and stood up a fairly representative and authoritative National Commission on Democracy and Civic Society;

- Any citizen of Kazakhstan is free to travel abroad and come back;

- Everyone in Kazakhstan has the right to choose his or her vocation;

- Every citizen can send his or her children to the school of the parents’ choice;

- Every citizen can vote and stand in direct elections;

- Kazakhstan has complete freedom of religion. Our state is pursuing a rigorous policy of ensuring equality and accord among faiths. Different religions peacefully co-exist, while religious extremism is not tolerated. The recent Congress of the Leaders of the World’s Major Religions in Astana has demonstrated the growing peace-making potential of our nation;

- Kazakhstan has observed a moratorium on the death penalty;

- We have succeeded in uprooting organized crime in our country;

First in the CIS, Kazakhstan passed a law against corruption; we are committed to sustained efforts in this area.

Only ten years ago none of these accomplishments existed; it now seems as if life has always been this good.

It is my belief that all this progress, underpinned by a strong presidential power, has made it possible to overcome the legacy of the by-gone era and to grow at a higher pace than most members of the Commonwealth.

We have attained a certain level of modernization of our political system. Last year, the Chairman of the OSCE Solomon Passi said during his visit to Kazakhstan that our nation “has made immense progress in democratic reforms.”

**2.4 We have transformed Kazakhstan into a regional leader; a respected international partner; an active participant in the global fight against terrorism, drug trafficking, and nuclear proliferation.**

We have chosen the path of demilitarization and nuclear disarmament, and in the process we have become a guarantor of regional stability in the eyes of the world community of nations.

Kazakhstan has voluntarily shut down its nuclear test facility in Semipalatinsk. We have set an international example by abandoning the world’s fourth largest nuclear missile potential.

Kazakhstan is a founding member and an active participant in the integration process in Eurasia.

It will be no exaggeration to point out that our nation’s name is firmly associated in the world with the initiative to convene the Conference on Cooperation and Confidence Building Measures in Asia. The recent meeting of ministers of foreign affairs in Almaty, which adopted a unique document, The Comprehensive List of Confidence Building Measures, has demonstrated the successful implementation of the initiative that I put forth back in 1992 at the 47th session of the UN General Assembly.

While in 1991 the world community did not pay much attention to Kazakhstan, today Kazakhstan has attained high international visibility, respect, and trust.

A prominent Russian economist, academician Aganbegyan has recently pointed out that “today two countries, China and Kazakhstan, show the highest rates of economic growth.”

**2.5 Our goals**

I have told you about the initiatives that have been implemented. I would like to emphasize that together we have created a strong foundation for our progress towards establishing a free economy and a free nation.

It is universally recognized that Kazakhstan is today one of the most dynamic nations in the world.

Dear fellow-citizens! You have entrusted me with the leadership of the nation, you have stood by me and always supported me, in your deeds and in your hearts. I am deeply grateful to you.

How do I see our future?

On our agenda today is a new milestone in the economic and political development of the country, its further modernization and democratization. That is our current agenda.

Therefore, my continued efforts will be directed toward:

- safeguarding and nurturing our statehood; further developing Kazakhstan as a modern democratic nation based on the rule of law;

- strengthening the stability in the country and in the region; boosting regional and international cooperation;

- accelerating economic growth in line with the demands of globalization and new technological realities, with an emphasis on the development of non-extractive industries;

- bringing our system of education, vocational training and social services to the 21st century level;

- steadily developing our civil society, protecting the rights and freedoms of citizens;

- preserving and fostering the moral and spiritual values of the multiethnic population of Kazakhstan;

- ensuring tolerance of, and accord among, all faiths and confessions;

- fighting corruption;

- fully engaging in the fight against terrorism, drug trafficking and all forms of extremism.

Let me also point out that Kazakhstan is now right in nexus of the communication flows between Europe and Asia. Our task should be to leverage this unique geopolitical advantage in the interests of our nation and the rest of the world.

Today I would like to lay out a specific roadmap for accelerating our reforms. This roadmap should guide us over the balance of the period until 2010.

**3. Accelerated social and economic advancement of Kazakhstan.**

Kazakhstan should join the ranks of efficiently developing economies while ensuring a high standard of living for our population. We can do it when our nation and our economy become competitive.

**3.1 Creating innovative economy and developing non-extractive manufacturing.**

We have begun to implement our Strategy of Industrial Innovation, which seeks to diversify our economy. The future belongs to this Strategy.

We have chosen the model of a competitive economy featuring some priority sectors that are vital to boosting our competitiveness. This decision marks the starting point for the creation of networks of innovation clusters in Kazakhstan.

I believe that by mid-year, we will need to have a blue-print for the development of at least 5 to 7 of Kazakhstan clusters in such industries as tourism, oil-and-gas machine building, food processing and textiles, transport logistics, metallurgy and construction materials. These clusters will determine the long-term economic development beyond the extraction of raw materials.

We have started designing a fundamentally new system of economic management, the National Innovation System, which will be our path to the opportunities of new technologies and new economy.

The infrastructure of industrial innovation has already been put in place. The various national development bodies have been fully capitalized in the amount of USD 730 million, while their investment portfolio exceeds USD 1.2 billion.

In 2004, 204 investment projects were implemented, and half of them were carried out with the support of development agencies.

Our strategic aim is to join the ranks of competitive economies. Therefore, the government and the private sector should build a partnership based on mutual trust and benefit.

**3.2 Small and Medium-Size Business**

In such countries as Japan, Germany, Belgium, and Italy small and medium-size businesses account for more than 90% of all their companies, and in many advanced nations SMEs generate over than 50% of the GDP.

We should therefore create a fundamentally new ideology of development for small and medium-size enterprises. We should create a favorable environment for the realization of the true spirit of enterprise.

Every enterprising citizen of Kazakhstan should join the entrepreneurial culture, and find himself or herself a place in the innovation economy.

The environment for unleashing the initiative of our citizens has been created; now is the time to seize the new opportunities!

I urge the regions to become economically ambitious.

It is necessary to improve our legislation qualitatively, in line with the new philosophy.

It is time at last to follow our words with deeds and to finish the job of transferring non-core functions of state enterprises and mega-holdings, starting with the major national companies and monopolies, to small and medium-size businesses. This would give a fresh new impetus to private enterprise.

At the same time, the assets of a number of strategically important state-owned companies should be transferred to a state holding company that is specifically designed to manage these assets. Debates about these measures and resistance to their implementation are only to be expected. The government will have to show its determination and finally roll up the sleeves to do the job.

And there is one more thing to mention. Not all entrepreneurs can have access to the services of the Bank of Development and the Investment Fund. Hence, The Small Business Development Fund should become a kind of “financial supermarket.” This year we will capitalize the Fund with additional 10 billion Tenge from the central budget, which should bring to 25 billion Tenge the volume of credit available to small businesses. Starting this year, we should introduce state guarantees of bank loans and insurance products. This way, our SMEs will receive considerable support from the government.

**3.3 Agricultural policy.**

This year will see the completion of the three-year agriculture and food program. We have for the most part developed the system of state regulation and support for agricultural business in the country. In the current year alone, the central budget provides for a record 57.9 billion Tenge for the development of agricultural production.

We should pass the law on “Public Regulation of Development of Agroindustrial Complex in Rural Areas.”

As we have discussed on a number of occasions, our pending accession to the World Trade Organization, presents new challenges to the competitiveness of domestic farming. I believe it is imperative that as we go forward we pay particular attention to industrializing the agricultural production through the implementation of cluster initiatives in the production and processing of agricultural raw materials. It is to this sphere that we should attract the attention of the private sector, and provide credits as part and parcel of our agribusiness policy.

**3.4 Financial Services**

In order to develop our financial services market, we have adopted programs for the development of the capital market, and fully funded (accumulation) pension system for the period 2005-2007. It is time to get down to business and make these programs work!

Our banking system should become a model of transparency. Above all, it concerns the ownership structure and information about related parties. All persons who exert considerable influence upon decisions of the banks should explicitly formalize their positions with the permission of authorized bodies. It is necessary to bring order to banks’ investment activity on a consolidated basis. Deals with related parties should not generate new risks for the banks. The Financial Services Supervisory Agency should deal with this task with all necessary urgency.

**3.5 Education and professional training in the 21st century**

In the 21st century, a nation that is not able to develop knowledge is doomed to failure. We should create a depth of talent for the high-technology and research-based industry of the future. It is only with a modern education system, and modern ambitious managers who are open to new ideas, that we can create an innovation-based economy.

We have to take all the necessary steps to enhance technical and professional education at all levels.

The goal of Kazakhstan’s universities is to deliver world-class education so that the diplomas awarded by our leading schools will be recognized around the world. They must fulfill this task.

We commit ourselves to providing every citizen of Kazakhstan with real opportunity to receive higher education.

To create a comprehensive system of public financing for higher education, I instruct the government to increase the amount of available education grants by 50% at the expense of education credits.

At the same time the government should create a modern system of student loans to be offered through second-tier banks and backed by state guarantees.

The government should carefully study the issue of offering our students the opportunity to work during their summer break in the residential construction industry, and to take part in the “Zhasyl el” (Green nation) program of planting greenery in the country, both noble causes that should attract our students.

And now a few words about our teachers. Their problems are well known, and they are being solved, but they cannot be solved instantly. The Ministry of Education, together with the Association of Universities, should think through a system of support for educators. Already today, we can, for instance, introduce public scholarships to “The Best Teachers”, which will be awarded as one-year study grants, including fellowships anywhere around the world.

By my decree, this year 2 million dollars were appropriated to attract 20 foreign visiting professors in the Kazakh State University and the Eurasian National University. Why not encourage, in the same manner, our best specialists who are recognized in the West?

I believe that first of all we should develop engineering professions, where talent is in very short supply and has to be attracted from abroad.

Clearly, everything starts in school. That is why from 2008 we should shift to a 12-year school education, raise the level of professional qualification of our teachers, and improve the quality of textbooks and comprehensive education programs.

We must restore the prestige and dignity of the teaching profession.

**3.6 Motherhood, childhood, and senior citizens.**

An important part of our strategy is to provide a decent living standard for the most vulnerable members of our society – children, mothers, and the elderly. The government will not spare resources to address their problems. We have adopted, and we will implement specific measures to provide children and expectant mothers with medicines.

Starting from 2003, a lump sum benefit is paid for every newborn.

From this year on we are implementing a 3-year program of further advancement of social reforms aimed at developing a 3-level system of social protection. It is grounded in a clear philosophy: First, there are basic social benefits guaranteed by the state. Second, there is a mandatory social insurance. And finally, there are voluntary savings of citizens, which in the future will become their supplement social income. In the future, these three sources will ensure dignity in retirement for our citizens.

**3.7 Housing policy**

Another key task is to speed up solving the problem of housing. Without a roof over your head, it is difficult to create a family and raise children.

This year we are starting to implement a housing program. We are rising to the challenge that under the previous regime seemed intractable.

The government and regional authorities at all levels are responsible for implementing this vision, and they should demonstrate to all the citizens their ability to cope with the task. Residential housing construction is a new driving engine of our economy.

**3.8 Spiritual growth and inter-faith accord**

It is necessary to carry on implementing the “Cultural Heritage” program; by reflecting on the past, we will be able to ensure our cultural advancement.

We should design a comprehensive program of public support for arts and culture.

We should also work together to sustain one of the mainstays of the unity of our nation, our national language, the mother tongue of all the Kazakhs.

All of the world’s religions have left their mark on the Kazakh soil, which explains why we are strangers to intolerance and religious fanaticism. This spiritual tradition, this openness to the Word of God in any instantiation is one of the most important foundations of inter-faith accord in Kazakhstan. We are known throughout the world for our tolerance, interethnic and interfaith accord and dialogue. The growing peace-making potential of our country should be preserved and nurtured with great care.

**3.9 What does it all mean today for every family and every citizen of Kazakhstan?**

1. Starting from this year, we have begun the implementation of the Program of Further Social Reforms for the period 2005-2007, which will have a positive effect on the interests of almost every family.

2. Again from 2005 on, we will provide free medicines for certain illnesses for children under age 5 on an outpatient basis. And we have begun supplying expectant mothers with free iron- and iodine-containing medications.

3. Beginning in 2006, it is necessary to start free provision of medicines for the children and teenagers on the dispensary register. In addition, we should provide medicines on preferential terms on an outpatient basis.

4. From the year 2006, low-income households should begin receiving monthly benefits for children under 18. Special benefits for mothers living together with four or more underage children and for mothers-recipients of the pendants “Altyn Alka”, “Kumys Alka” or “Maternal Glory” of 1-st or 2-nd degree will be increased to 4,000 tenge.

5. We are already paying lump sum benefits for every newborn child. I believe that over and above that sum, we should introduce public child-care benefits for the first 12 months of the child’s life and start doing it from July 1, 2006, rather than from 2007 as initially planned.

6. From July 1, 2005 we will begin paying all pensioners a supplementary basic pension in the amount of 3,000 tenge regardless of their employment history, salary, and accrued pension. Therefore, the minimum pension will reach 9,200 tenge, and the average pension more than 12,000 tenge.

7. As early as July 1, 2005 we should double the amount of scholarships paid to university and secondary level vocational training school students.

8. We will help our best and brightest to go and study abroad. Every year, within the framework of the “Bolashak” (The Future) program, 3,000 of our best students will receive scholarships from the national budget to study at the leading universities of the world.

9. We have many talented boys and girls who are willing and able to become engineers or technologists. Through education grants and credits, the government will help them in a very real way. I urge the private sector to join actively in this initiative.

10. In order to implement the system of state guarantees of student loans issued by commercial banks, we need to appropriate 2 billion tenge within 5 years, including 600 million tenge as early as this year.

11. I regard as necessary to increase social benefits paid to all categories of disabled people, and to those receiving old-age benefits, as well as to the recipients of special public benefits by 1,000 tenge starting from 2006. All of these benefits have already been substantially raised earlier this year.

12. Starting from 2006, we should provide additional support amounting to 300-1,000 tenge to 247,000 families who have lost their breadwinners.

13. I believe that starting from July 1, 2005 it is necessary to raise the wage of public sector employees such as doctors, teachers, cultural and social services workers by 32% on average. And from 2007, by another 30% on average.

14. On the whole, wages should go up both in the public and private sectors. Therefore, from July 1, 2005 the minimum wage should be increased up to 9,200 tenge.

15. I believe that it is necessary to increase the wages of civil servants and other public service employees as early as July 1, 2005 by 32% on average, and from 2007 by an additional 30%, gradually closing the gap between wages in the public and private sectors.

16. This year, within the framework of the public housing program, we should add 1,600 apartments for socially protected groups, and another 11,700 affordable apartments paid through the mortgage program.

17. Over the next three years, we ought to be able to add to the nations’ housing stock 12 million square meters of residential housing, or 195,000 apartments, financed through all available sources. That will double the volume of construction works.

Everything that I outlined can be done because we can afford to do it.

I have always said that the time will come when, having improved our economy, we will improve the life of our citizens. As you can see, this time is arriving. And I keep my word.

The policy of accelerated economic and social modernization of Kazakhstan should bolster Kazakhstan’s leading position in economic and social development, and thereby enable our economy to attract capital, investments, technology and know-how, and highly skilled labor.

Entrepreneurs should know that we are creating for them a conducive environment and effective incentives, that business in our country is safe and rewarding. Researchers and highly-skilled professionals should be confident that their labor will be properly rewarded as well. Artists should know that they will be duly appreciated in accordance with their achievements. We are working to make it all possible.

Let our accomplishments be the measure of our efforts.

**4. The new phase of democratization of Kazakhstan.**

Dear citizens of Kazakhstan!

Over these ten years, we have been moving forward, towards democratization taking into consideration the specific features of our country and following the principle of “first economy, then politics”. This approach has proved itself. Gradualism has not let us down. Here I would like to remind you of the words of Margaret Thatcher, who said that she did not believe it possible to establish democracy in one grand risk-free swoop in any country, whether Asian or not, if such a country lacked the right conditions and experience.

The experience of other countries demonstrates that establishing democracy is a learning process that should involve all the strata of society over a long period of time. Many nations have been practicing liberal traditions for centuries but are still far from perfection. We started from zero. We should keep in mind that democracy presupposes a certain mentality and individual conduct.

I believe that these ideas have merit. We should remain devoted to the Oriental wisdom and be deliberate and careful.

**4.1 The National Program of Political Reforms.**

Our joint achievements allow us to launch comprehensive efforts in many directions to further modernize our political system and enhance democracy.

Hence, today I offer this package of initiatives, The National Program of Political Reforms.

The program constitutes a unified coherent approach to reforming political, social, and public institutions. The essence of this approach is to further democratize Kazakhstan in line with the traditions and principles of Western democracies, the experience of the leading South-East Asian nations, and with the traditions of our ethnically and religiously diverse people.

Obviously, this national program of political reforms should be implemented only on the basis of a dialogue with the entire society.

The year 2005 should go down in history as the year of a dynamic progress in political reforms, and of the nation-wide policy debate about these reforms.

I believe that this process should be very transparent and public and involve all the citizens of Kazakhstan, including prominent figures, leading opinion-makers, and representatives of the national elite.

I do not exclude the possibility of inviting international experts and respected political figures from Western democracies, as well as from the high-growth economies of Asia (Turkey, Malaysia, Singapore, South Korea etc.)

I charge the National Commission on Democratization and Civil Society with the responsibility to coordinate the discussions of the National Program of Political Reforms.

Guided by political initiatives laid out in this address, the Commission, should:

• analyze and summarize the results of the nation-wide discussion;

• prepare the initial legislative framework for the National Program that should reflect the results of the discussion;

• prepare recommendations for the President and Parliament on the implementation of the National Program of Political Reforms; and

• coordinate the final adoption and enactment of the political reforms package.

**4.2 Future Use of the Potential of the Constitution in Effect**

First of all, it is imperative to make maximal use of the current Constitution. Our Constitution is recognized in the world as appropriate to the basic tasks of a democratic society. If there is criticism, then it lies only in the way its articles are being implemented.

It is acknowledged throughout the world that democracy and compliance with the law are inseparable.

What has our country’s Constitution, adopted by the people, given us? An effective two-chamber Parliament – the legislative power of the country. The Constitution endowed it with the right to approve a budget for the country, and to oversee its execution.

The Parliament, by majority vote, gives its consent to the appointment of a Prime Minister, and Chairman of the National Bank. It has the right to vote “no confidence” in the Government, to insist on its resignation, and to relieve any minister of his or her duties.

Factions of political parties are represented in the Parliament.

The Parliament has the right to introduce amendments to the country’s Constitution.

Members of the Government regularly report back to the chambers of Parliament. The Senate elects judges of the Supreme Court, gives its consent to the appointment of Chief Prosecutor and Chairman of the National Security Committee.

In our country the President, members of Parliament, and the members of regional governments (maslikhat), are elected by free and secret ballot in multi-party elections.

Such important state organs as the Constitution Council, and the Audit Committee are formed on an equal footing with the President, Parliament (Mazhilis), and the Senate. In its turn, the Central Election Commission is elected by the Parliament (Mazhilis) based on nominations by the Head of State. That is, a necessary system of checks and balances has been established.

The challenge now is to ensure the clear use of rights granted by the Constitution, and that laws not be violated, but clearly observed.

**4.3 Reform of Executive Power**

I think that considering what has been achieved, and the new prospects for development, it is essential to continue the reform of executive power in the direction of:

• further decentralization of power;

• regulating and increasing the effectiveness of the system of state government.

We have taken definite steps toward decentralizing the system of executive power. We have created conditions for introducing elections of regional governors (akim). In August of this year, we will conduct pilot elections of regional governors (akim) in the regions, oblasts, and in the cities of Astana and Almata, and we will begin, in phases, the election of local governors (akim) in rural districts, villages, and settlements, a process that will be completed in the year 2007.

At the same time, it is imperative that the Government develop and introduce for consideration by Parliament legislative bills, which complete the process of dividing power between the levels of state government, and which define the system of local government in the Republic of Kazakhstan. Furthermore, the Government must design a State program of support for the development of local government in Kazakhstan.

And only after this will it be possible to finally introduce local government in our country. Transparency of the work of executive power must become the norm.

Officials of the local executive government are now reporting to their constituencies at special meetings convened for that purpose. And this is as it should be.

These meetings should help to inform the population about the social-economic and political reforms being conducted in the country, as well as contribute to the exchange of opinions and proposals. This is a way to try to increase the responsibility and accountability of the organs of executive power to the people, to involve the general public in the process of state government. These meetings should become the absolute norm for social-political life.

The further deepening of administrative reforms is imperative. It is necessary to complete the transformation of the previously archaic and sluggish state mechanism into a modern one, capable of governing dynamic social-political processes on the basis of the best world experience, and in the interests of our citizens.

It is necessary to raise not only the effectiveness of the work of the Government itself as a collective body, but also the personal responsibility of each minister-member of the Government.

The Government is independent and bears responsibility for the entire executive branch of power. It must make full use of the rights and powers granted to it by the Constitution of the country.

It is imperative to reduce the unnecessary number of state functions at the central level of power, by transferring a portion of the powers to organs of local government.

There should be created an effective -- and most importantly -- an optimally staffed state apparatus comprised of contemporary managers - “Better fewer, but better!”

It is imperative to accelerate the formation of e-Government in order to improve the quality of services and shorten the delivery time of services to citizens and organizations. The key to the reform of executive power is the implementation of a comprehensive set of measures to improve the civil service.

It is essential to:

• improve administrative services of the state;

• reduce the bureaucracy of government; and

• optimize the professional level of state personnel.

A foundation for these measures has already been put in place. In Kazakhstan the law, “On Civil Service” has already been passed. Admittance to the civil service is competitive, based on computer administered tests of skills. An Academy of Civil Service has been created, where more than one and a half thousand people are trained each year.

The government must concentrate on general regulatory functions, and on creating norms and standards.

Its structure must be built in accordance with the priorities of state policy, and the ministries must be organized according to the type of state function they perform.

I am instructing the Government to develop a unified system for assessing the effectiveness and quality of the work of state organs. The standard for assessing the performance of each government department in general, as well that of each individual employee in particular, should be the level of effectiveness of the work performed.

It is imperative to create “one stop” (i.e. comprehensive) social service centers; introduce a system of quality control (ISO) for state employees; give bonuses to the best employees, and not in the form of automatic salary supplements, as is the current practice; and ensure compliance with the rules and ethical principles of the civil service.

**4.4 On Strengthening the Political Authority of the Legislative Branch of Government**

As I said, the process of political modernization requires, first of all, strengthening the political authority of the legislative branch of government. And this can and must be done within the framework of the current Constitution. Its potential has not been exhausted.

It is necessary to discuss the advisability of raising the role of both chambers of Parliament in the formation of a Central Election Commission, Constitution Council, and the Audit Committee.

We should carry out a detailed and carefully thought out study of the mechanisms for forming the Government on the basis of a parliamentary majority and approval of candidates for ministers’ posts with the social-economic briefs by corresponding committees.

The solution to these questions will empower the people’s representatives to strengthen their influence and control over the organs of executive power.

It is also imperative to provide for a broadening of powers of the regional governments (maslikhats). This will be an important step towards decentralization of the system of state authority, and an increased role for the system of local government.

**4.5 Reforms of the Judicial System and the Legal Defense of Citizens**

We are on the threshold of full-scale reforms of the judicial system, corresponding to generally accepted standards in the democratic community. A commission has been created to prepare proposals on improvement of the legal system and on the effective practice of justice, which answers the needs of modern society.

We still have work to do on the following tasks:

• To simplify legal proceedings, ensure their objectivity, and also the stability and timely disposition of legal acts;

• To strengthen the guarantees of the rights of citizens in the framework of legal proceedings and at the stage of executing judicial decisions;

• To ensure the independence of judicial officials, which will become a guarantee of due process within the limits of the law;

• To raise the qualification of judges, which will ensure that the judicial system of Kazakhstan be equal to the economic, investment, and trade challenges of the 21st Century;

• To secure a greater role for public defenders in the framework of criminal proceedings and adjudication;

• It is imperative to introduce into the practice of criminal proceedings the institute of juries. Toward this end, in 2005 a law “On Jurors” should be passed. Changes and additions should be made in the Constitutional provision, “On the Judicial System and the Status of Judges”, and other legislative acts on the question of introducing juries should be adopted.

• It is essential to provide for maximum openness and transparency of judicial proceedings.

I want to draw particular attention to the question of the independence and integrity of judges. We have raised the salaries for judges, and today they have become the highest paid civil servants. We must think about the whole package of social guarantees for a judge, including a secure pension. A fitting salary and benefit package for judges should be considered not only a reward for difficult and honest work, but also one measure to prevent corruption. We must do what we can so that bribery in the judicial sphere is not only morally unacceptable, but economically disadvantageous as well. A judge should value his or her place on the bench and know that if he or she violates the law or professional ethics, they will lose not only the right to be part of the civil service, but also the entire benefits package.

All this will entail additional budget expenditures, but they are justified. As the old saying goes – cheap justice is too expensive.

**4.6 On Elections**

It is worthwhile to discuss the importance of further improvement in our election laws.

I am instructing the Central Election Commission (CEC) to conduct a serious analysis of shortcomings of the legal safeguards in our election process. In the course of 2005 the CEC should develop and introduce appropriate proposals for improving the quality of election mechanisms, which must fully conform to international standards and the level of development of our society. Only with such an approach do I see a consistent implementation of a policy of securing the free and guaranteed expression of the will of all citizens.

**4.7 On the Development of Institutions of Civil Society**

Of primary importance is the future development of the guarantees of the rights and freedoms of the citizens of Kazakhstan: freedom of speech, freedom of assembly, and the right to express political will.

We already have a legislative framework.

In accordance with the decree, “On the Future Development of the System of Constitutional Laws and Freedoms of Persons and Citizen”, the resources of Ombudsmen for protecting human rights have been broadened. Now real action is needed.

Freedom of speech is one of the fundamental conditions for the continued democratic development of Kazakhstan. In independent Kazakhstan, no individuals are condemned for political reasons.

In the future as well we must constantly create and protect all necessary legal and other conditions, which guarantee freedom of speech, the freedom to receive and disseminate information. On the other hand, there ought to be a clear legislative shield against the abuse of freedom of speech.

**4.8 On the Fight against Corruption and Crime**

Kazakhstan was one of the first Post-Soviet states to pass anti-corruption legislation and to enter into international agreements. Quite a few officials have been punished. Much has been done. At the same time, we are not working as we should with those international organizations, which are dealing with these problems, and which evaluate us, relying on our own information. I can say with complete certainty that Kazakhstan is not lagging behind in our region, or beyond. Though a transition economy has its own costs.

Time has passed, the situation has changed, and legislation requires thorough analysis and improvement. We must revise all the regulations that willfully or unwittingly create conditions conducive to corrupt actions by officials.

We must completely separate business from the civil service.

We must put an end to the lack of transparency of stock companies, their owners and related parties, the lack of transparency of the banking system, the multitude of licensing bodies, the impunity of those who give bribes in order to flout the law, etc.

What must be done to achieve these goals?

1. Create comprehensive “one-stop” public service centers, where in one location it is possible to apply for a passport, receive a tax ID number, a driver’s license, etc. This can be done on a pilot basis in Astana and Almata this year.

2. Sharply reduce the number of licenses and permits.

3. Pass appropriate amendments in the law, “On Stock Companies in the Republic of Kazakhstan.”

4. A civil servant should make public that he sold, or handed over management of his business.

5. It is essential to develop an Ethics Code for civil servants that prohibits them from engaging in private business, or lobbying in the interests of companies.

6. Disciplinary councils should finally be given over to the Agency On Civil Service Affairs, and transferred to the central budget; the councils should be strengthened with legal personnel, and not hire officials who are old enough to retire. The Council should be charged with assuring that civil servants act ethically, and in compliance with the Ethic Code.

7. Punishment should be handed out not only to those taking bribes, but also to those giving them. 8. The salary of civil servants should be raised to a level comparable to the salary earned in business.

I have spoken more than once about regulating the actions of appropriate state structures and officials. The Agency on Fighting Economic Crimes and Corruption must be independent. It is appropriate to bring it under the direct control of the President.

I am instructing the Government to introduce concrete proposals on these issues and to provide strict oversight over their implementation.

At the same time, it is time to cease the groundless accusations of corruption on the part of civil servants. If this is slander, then the civil servant should be able to defend himself or herself in the court. If the accusation is proven to be unfounded, then the complaint should be investigated. \* \* \*

I gave you account of my vision of political reforms. Everything I mentioned can be realized within the framework of the Constitution in force.

We know that, in connection with reforms initiated by me, a number of options for the political development of the country are being discussed by various actors, including the opposition. The opposition’s views should be treated with respect when the opposition has at heart the interests of the country, and of the people.

I propose to complete the package of measures advanced by me over the period of 2005-2007. Once this is done, the path of further advancement will be clear.

I am confident that the stability of the Constitution means the stability of the society. Reckless amendments would wreak chaos in the country. Before proposing any amendments to the Constitution, we should thoroughly examine the current state of affairs.

However, amendments to the Main Law of the Land are possible. The crux of the matter is whether people would continue to support the presidential model of government that we now have, or would opt for transferring the power in the country to numerous political parties. This is why I have elaborated one more time the advantages of our Constitution. I believe that the principles of democracy require that the matter be settled by the will of the people. The time will come when we put this question to our citizens. And we will act in the interests of our people and our country.

**5. Kazakhstan in the modern world.**

**5.1 Our foreign policy priorities.**

Our priorities remain unchanged – an activist, multifaceted and balanced foreign policy able to confront the challenges of the 21st century and aimed at pursuing the long-term national interests.

We put priority on the development of cooperation with Russia, China, the United States and the European Union. We attach great importance to relations with the leading countries of Asia and the Middle East.

The government is steadfastly committed to compliance with all the main treaties and agreement with these nations in order to guarantee the security of Kazakhstan and create favorable conditions for our domestic reforms.

Treaty on border delimitation signed a month ago in Moscow by Kazakhstan and Russia is of historic importance. For the first time in our history, we have gained legally recognized borders with Russia, our strategic partner.

With this delimitation treaty singed, we have completed the demarcation of all our borders, which stretch over 14,000 km. It is a major guarantee of national security, which creates favorable conditions for implementing our nation building agenda at home.

Also in our strategic interest is the effort to expedite accession to the World Trade Organization on the terms that take full account of our interests.

Kazakhstan attaches great importance to the Shanghai Cooperation Organization, to reforming the CIS, the Eurasian Economic Community, and to proceeding with the establishment of the Single Economic Space.

Our engagement with the OSCE remains important for us along the entire range of its activities. We take very seriously the nomination of Kazakhstan for the 2009 chairmanship of this organization. Present initiatives are also aimed at achieving this goal.

It is important to remember that Kazakhstan is regarded in the world as a regional power possessing a strong economy and a solid position in the international community. We should value this image and apply additional efforts to strengthening the standing of our country in the modern world.

**5.2 Today’s challenges.**

I would like to draw your attention to objectively existing threats of the 21st century, which can become a serious obstacle for further economic, political, and social modernization. These threats are not too far off. Our ability to work in peace and advance our country depends on all of us and on the attitude of the international community.

What are these challenges?

First, the spreading of instability and religious extremism in the region.

Second, unabated drug trafficking that for geographic reasons goes through Kazakhstan.

We will cooperate as actively as before with all the nations and international bodies that work to solve these problems.

Among the threats of the 21st century, international terrorism is a matter of special concern. At the end of January 2005, Almaty hosted a special session of the UN Security Council’s Counter-Terrorism Committee, in which heads of 40 international organizations took part. An effective struggle against this international evil requires joint efforts by the entire international community.

This is our philosophy in dealing with issue of Kazakhstan’s participation in the antiterrorist coalition and in sending our field engineer squad to take part in stabilizing the situation in Iraq.

Active measures are also undertaken at home: the Supreme Court has banned 4 terrorist organizations. We have passed the Law on Fighting Extremist Activities.

To meet the challenge of escalating terrorist threat, we are ready to move to a qualitatively new level of coordination and joint efforts among all the regional powers and concerned countries.

**5.3 Regional issues**

Until the end of 15th century, Central Asia was a major player in the global economy. Our region bridged the East and the West. The population of the region was not divided into countries and nations. The decline of the Silk Road turned Central Asia into backwaters of progress. For the first time in over five centuries, our independence is making it possible to restore the economic importance of our region. We are developing our transit infrastructure and emerging as a global major supplier of commodities, including oil, gas, iron ore and agricultural products. The network of new oil and gas pipelines and modern highways and railways can already be seen along the ancient Silk Road.

We can clearly see the causes of success by Asian tigers and the European Union. On the other hand, we have observed the international confrontation and conflicts among nations that emerged from colonial rule after the Second World War. The global economy demands larger markets. Today, we are again witnessing superpower rivalry for economic dominance in our region. We have to address correctly this new global and geo-economics challenge.

We have a choice between remaining the supplier of raw materials to the global markets and wait patiently for the emergence of the next imperial master or to pursue genuine economic integration of the central Asian region.

I choose the latter.

Further regional integration will lead to stability, regional progress, and economic, military and political independence. This is the only way for our region to earn respect in the world. This is the only way to achieve security, and to fight effectively against terrorism and extremism. Regional integration will advance the interests of all the common folk that live in Central Asia.

I propose therefore to create a Union of Central Asian States. The Treaty of eternal friendship between Kazakhstan, Uzbekistan and Kyrgyzstan can serve as a solid foundation for such union. Other countries may also wish to join.

In the region, we share economic interest, cultural heritage, language, religion, and environmental challenges, and face common external threats. The founding fathers of the European Union could only wish they had so much in common. We should direct our efforts towards a closer economic integration, a common market and a single currency.

I see integration as the only way to become worthy of our common great ancestors who always envisioned us together. The Czarist Empire and Stalin’s ethnic policy abhorred this unity; they broke our region into administrative territories. Their policy was that of “divide and rule”. The day has come for us to embark on a new and indispensable path that the next generations of equal peoples in the region will follow after us.

**6. Our responsibility for the Kazakhstan homeland.**

Dear citizens of Kazakhstan, compatriots!

I have presented to you my philosophy and vision of economic, social, and political modernization for the years ahead.

As you can see, we still have a lot to accomplish.

And as always, I do not promise that the road will be easy. We may have different points of view on the tactical aspects of reforms, and on timing and mechanisms of their implementation.

But I urge all the citizens of Kazakhstan and all political associations to close the ranks for the sake of our common progress and for the future of our country.

We should build a society of maximum opportunities where individual freedom is respected; where those who cannot provide for themselves are taken care of; where every labor is valued; where motherhood and childhood protected; where retirees are given every support, and where veterans and defenders of the Fatherland are deeply revered.

We should build a free and tolerant society where every citizen of Kazakhstan, regardless of his or her ethnic background or confession, is free to practice the culture, customs, and religion of his or her choice.

We should build a society where law-enforcement bodies provide peace and order, and where businessmen have every opportunity to put their ideas to work.

We should build a society that values the honor, dignity and reputation of everyone; where high morality, ethical standards and spiritual values thrive.

We have chosen the right way. The results speak for themselves. On this basis, we have a unique opportunity to accelerate our advancement. Down this path, Kazakhstan will travel to join the ranks of developed and prosperous nations of the world.

I am confident that the people of Kazakhstan will support me in these undertakings, that they will demonstrate initiative, and want to see our plans realized.

As for me, who stood at the very origins of our statehood and took personal responsibility in the eyes of the nation for its future, I would like to see this era to come as soon as possible.