Address of the President of the Republic of Kazakhstan, Nursultan Nazarbayev, to the People of Kazakhstan, September 3, 2001

**On the Situation in the Country and Main Directions of Domestic and Foreign Policy for 2002**

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**Dear deputies! Dear citizens of Kazakhstan!**

We can say for certain that the life has proved correctness of our choice of the model of open market economy and democratic development.

It is very important that our reforms have been socially oriented. This has allowed to avoid large political cataclysms that have taken place in other countries that started reforming.

Now many facts of our life are meant as standing to reason, including freedom of business undertakings and trade, tax, budget and bank systems, private enterprises, farms and many others.

But eight or ten years ago there was nothing of all this and even the ideas were perceived by no means unambiguously. It is enough to remember the debates in the society and accusations about the authorities.

Public conscience changed with great difficulties.

However, we have overcome all this. We have laid the foundation for new economic relationship and created market mechanisms almost from nothing.

Now the economy of the country is on rise as GDP grew over 14 percent during the first half of the year related to the same period of the last year. Production is restored and reconstructed, and the country is rising.

Agricultural production has grown by over 5 percent on the results of the first half of the year. Interest-free credits organized by the state promoted good sowing campaign and start of harvesting. This year the country had no problems with fuels and oils. The laws adopted for the country and also active work of the Government and governors assisted to successful state of affairs. And we expect that this year the farmers will please us with good harvest.

The policy of import substitution is giving its results. In 2002 domestic producers concluded agreements worth of 220 million that is 2.2 times more than in the last year. 54 percent of these agreements have been executed in the first half of the year and it promoted development of processing production. The volume of production in machine engineering grew 40 percent, textile and sewing industry – 20 percent. For it we are gracious for investors of Kazakhstan who work on large enterprises of the country. Almost all large enterprises and many of medium productions have been restored.

Development of railways is continued, we are starting construction of strategically important railway running from Donskoye to Krasnooktyabrsky mine that will connect the central regions of our country with the western region, particularly with the port of Aktau.

On August 1, the volume of deposits in bank system comprised 393 billion tenge, credit investments of banks to economy were 397 billion tenge or over US$2.5 billion that is much more than it was two years ago.

The deposits of natural persons in banks of the country exceeded 150 billion tenge.

Investments to fixed capital are rapidly growing, about 30 percent, the policy of inflation reduction is continued.

The action of money legalization that allowed to introduce about half a billion of dollars into legal account and to return money to the country's economy also promoted growth of domestic investments.

Large nation-wide task on construction and equipment of the new capital, Astana with modern facilities is executed. Over the shortest time Astana has become an administrative center that gives impulses to our economic, political and public life and an attracting city for all citizens of Kazakhstan and a good example of development for the cities of the country. Regional centers, Kokshetau, Taldykorgan, are restored, our towns and regional centers are gradually acquiring modern outlook.

Hospitals, schools, objects of culture and sport are repaired and built. All schools of Kazakhstan have been computerized.

I think we can congratulate our schools not only with the new academic year but also with this important historic event.

Growing economy allows to solve successfully social tasks. Only during the last two years nominal revenue per capita have grown 30 percent and real revenues per capita have grown over 12 percent.

All social aids and pensions, salaries in budget organizations are paid in time. Minimal pension has been increased from 3000 tenge in 1999 up to 4000 tenge in 2001, or by one third.

The number of working places is growing. The level of employment of economically active population is 90.2 percent. The number of employees only on large and medium enterprises has grown by 6.1 percent. Public works that give new working places to people are actively developed.

We have got a stratum of self-employed people, i.e. people who provide themselves and their families. It is about 3 million. A wide stratum of modern managers, highly skilled specialists working in national companies, bank sphere, business infrastructures, enterprises and companies with foreign participation has also been formed.

Today these social groups comprise the basis of growing medium stratum of Kazakhstan. For them economic progress is inseparable from the issues of stable development of the country. Further liberalization of the society and democratization of political system meet their interests.

We can courageously say that during these years we have created the society where genuine democratic institutions are functioning.

The state system of Kazakhstan is based on democratic principle of unity of state power and its division into legislative, executive and judiciary branches. The established presidential form of governance is the guarantee of coordinated work of all branches of power. There are no any grounds to change such state system.

Strong executive power has become a basis of stability in the society and one of key factors of success of economic reforms where Kazakhstan is the leader among CIS countries. International experts also acknowledge it.

We have also achieved success in reforming civil service and many of our neighbours are studying our experience with great interest.

Civic consciousness and patriotism of people as well as their confidence in tomorrow are strengthening. Thus, last year the number of those who wanted to get Kazakhstan's citizenship exceeded 2.5 times the number of those who wanted to leave the country.

A whole generation of young citizens of Kazakhstan for whom market and freedom are irreplaceable terms has grown in the atmosphere of new values. Today people aged up to 30 are 60 percent of Kazakhstan's population.

Our citizens have received both economic and political freedoms, peace and accord dominate in the country. And this is the main result of the decade, the main motive power of our development.

But all positive facts that have been achieved during these years must not create an impression that all current and strategic problems have been solved and it is even the time to rest on our laurels. Especially as we have got more than enough shortcomings and threats. Therefore, it is crucial to perceive critically the situation in the country.

We must take into regard forthcoming challenges that present considerable threat to independence and security of our country.

These are a sequel of economic crisis in the world, instability on our southern borders, enlargement of bloody conflict zones, growth of terrorism, proliferation of drug addiction and AIDS, escalation of criminality in many countries. All these dangerous phenomena may have negative consequences for us, too. Almost all main tasks we are to solve are stated in the Strategy of Development of Kazakhstan up to 2030. Its provisions are constantly concretized in measures and programs, including medium and short-term plans.

The ten-year strategic plan of development of our country has been elaborated according to my commission in order to execute the Strategy of Development up to 2030 and it takes into regard all grounds of external and domestic threats I have spoken about earlier. In this connection some other tendencies are worth of attention.

After collapse of the socialist system the world community is still in the first phase of construction of the new world order, it continues to develop dynamically, there is search for strategic balance.

Globalization and regionalization of world economy are important factors of development.

The movement towards multipolar world is growing. Such tendency meets strategic interests of Kazakhstan.

Possessing powerful raw materials, land and strategic transit potential, having formed open market economy Kazakhstan cannot and must not stay aside of geopolitical and geoeconomic processes.

Therefore, solution of our long-term strategic tasks will be in many respects determined by our ability to increase rate and dynamics of construction of strong and competitive economy.

And we must provide the appropriate level of lives and guarantees of freedoms for our citizens and strengthen security of the country.

This is the basic mission of all branches of power for the forthcoming decade.

It is principally important for Kazakhstan to be head of all neighbouring states both on the level of structural reforms in economy and the level of social development.

We must set the following basic tasks up to 2010 in the sphere of social and economic development:

to continue formation of stable economy competitive in some sectors;

at least, to double the volume of GDP;

to achieve increase of national capital in crucial spheres of economy;

to increase considerably welfare of our citizens.

The following tasks are set for the forthcoming decade in the sphere of political and state building:

to continue creation of efficient system of interaction between three branches of power;

to ensure gradual further decentralization of state management;

to improve the mechanisms of elections;

to promote further development of political parties and institutions of civil society, strengthening of domestic stability, enlargement of freedoms and rights of citizens.

Solution of tasks to modernize economy and democratize our society must be ensured strictly according to the Constitution and the laws of the country.

Introduction of law-obedience into our life is still one of crucial tasks of the society and, first of all, law enforcement bodies.

We have to solve the following basic problems in the sphere of foreign policy and strengthening of security of the country:

to ensure further integration, to increase the role of Kazakhstan in the world;

to take an active part in formation of efficient system of regional defense;

to finish military reform and to continue formation of modern Armed Forces;

to fortify frontier and interior troops;

to finish the process of border delimitation and to take efficient measures to solve other problems on borders;

to strengthen work on economic and information security maintenance.

Economy remains a key sphere. Fears that the rate of growth and dynamics of reforms will be lost under the talks about success and leadership in reforms have their grounds.

We must realize that our economy just have started its development after a deep crisis and slowdown in 90-s and currently is on though high but not enough level.

Despite of growth of the last years and the fact that GDP per capita is one of the highest among CIS countries it is less than $1500.

We have an important task to increase considerably the volume of the country's economy.

We should realize that favourable economic environment cannot last forever.

Now we are observing cyclical deterioration of world economy and prices for raw materials. Positive trade balance is continuing to decrease in the country.

Therefore we must not give out all we have saved during the last two years but accumulate resources. Each family tries to have money, to say, for a rainy day. And the country as a big family must secure itself against surprises of any kind. This is my main task to the Government and the request to the Parliament while considering the budget for 2002.

In these conditions the Government and the National Bank must determine medium-term macroeconomic policy, develop the principles of maintenance of adequacy of monetary policy, including exchange one, fiscal and industrial policy.

I must note that economic content of taken decisions is weakening. It is conditioned by low quality of planning.

The budgeting process is unsatisfying, it is becoming the art of uniform distribution of disappointments as one American financier has once said.

In other words, it is becoming the object of bargaining between the Government, the Parliament and local authorities.

Obviously, appearance of additional revenues has blunted the state bodies, reduced their aspiration for search and mobilization of reserves, observance of the principles of economy of budget means. While elaborating the budget for 2002 all ministries and regional governors asked for resources two or three times more than they were allocated this year. The Government has eased demands for them.

I want to express my opinion. The ministers and governors must restrain their ardour.

Growth of expenditures relative to the last year must be minimal on all articles, except expenditures to increase minimal revenues of people. If we have money we should invest them into development of new productions, infrastructure and creation of new working places.

All debates and discussions about fair withdrawal of natural rent in favour of the state, transfer pricing and total collection of excises have been reduced to nothing. Both the Government and the Ministry of State Revenues have disregarded this part of work as the Parliament eased demands. And it is inadmissible.

It is necessary to achieve full transparency of the work of large enterprises and investors especially in extracting sphere. Further lead-time of the issue is inadmissible. The Government and ministers responsible for the issue must show here the example of state approach. If each company working in Kazakhstan shows honestly all its funds flows – how much was earned, spent, how much is the profit – there won't be talks that the members of the Government are lobbying somebody's interests.

The Government must achieve such transparency.

Sampling checks show almost general disturbance of the rules of state purchases and the reserves for economy are considerable here. State-owned enterprises started to multiply fast first under the guise of budget means economy and then under the growing hail of budget expenditures.

The Government and governors must establish order here in the nearest time.

Despite of significant successes additional system changes are in need in real sector of economy. First of all and we have been speaking about it for several years we should make things clear in property relationship, record and accounting of enterprises, bankruptcy and rehabilitation procedures, the mechanisms of investment and capitalization.

We can hardly expect solution of other tasks of the state and society without renewal and modernization if production.

We need money for it. And a lot. But real investors will not invest money to buy shares of enterprises without clearness.

Pension funds that have accumulated over $1 billion have neither high-yielding objects for investment nor adequate diversity of financial instruments. Why? Because the work on creation of stock market has been failed. We don't see clear proposals from the Government and the National Bank on how to solve the problems though the task has been set during several years.

Bankruptcy procedure often turns from the mechanism to clear market into the way to gain money for dirty dealers.

At last, the law on bankruptcy has been adopted. The Government should immediately develop and introduce the mechanisms of its efficient execution.

The Government also lacks quickness in response on appearing economic problems.

We cannot be satisfied with the quality of regional policy, non-transparence of informal labour markets and migration processes.

Basing on Social Protection Concept the Government should carry out all measures in order to introduce the system of compulsory social insurance in the country together with the budget for 2003 as it will stimulate legalization of labour relationship.

The analysis of tax receipts shows that many administrative regions will be detrimental. Their maintenance on constant grants is hopeless in market conditions. As a rule, environmental conditions of living are also not the best in such regions.

Whether we want or not, but people from these regions will move to better places and urbanization process will be hastened.

The state must not and will not stay aside of these processes.

At last, it is time to develop strong demographic policy. This is also the task for 2002.

We still have many questions on human security systems.

We have successfully and in time carried out municipal reforms. But the situation with cooperatives of owners of flats is often suppressed.

And here not all things are as they should be especially with repair of housing facilities that are worsening and nobody is going to take any measures.

The carried out parliamentary hearings have not given good answer in this respect.

Generally, in the light of urbanization and the policy of increase of the country's population the problem of dwelling especially cheap one is quickly escalating. Many people still cannot afford the developed system of real estate loans despite of its correctness and good perspectives. The Government should occupy itself with solution of the issue as the law allows it.

The cost of municipal services remains high. At the same time there are many agents between producers of services and their consumers with the connivance of local executive authorities. For some reasons all parts put up with these artificial agents. The governors of all level must examine the issue and the Government must control this work..

The practice of limitation of competition on markets is continued. Here the owners of markets rule, the governors feign that they don't know about it, there is no proper sanitory inspection.

As a result, the prices are high, the choice and quality are poor. It is necessary to remind the governors that it is their direct fault if not connivance.

It is autumn now. People sell the grown harvest, vegetables, fruits, meat. It seems that privatized markets are not controlled.

I have many times drawn attention of governors and law enforcement bodies. It is time to create municipal markets where the administration will determine fair and reasonable prices.

Why is competition pressed and it leads to price increase on markets? Is it difficult to examine the issue?

The workers of budget sphere significantly fall behind the workers of production sphere on the level of revenues.

Therefore, the issue of increase of salaries for junior and medium personnel is still actual. It is also time to establish equity in sizes of pensions.

We cannot be satisfied with today's quality of health care and education, the issues of water provision and the state of environment.

We must critically comprehend the work of state bodies. Separate units of executive authorities need to be strengthened. Organization of their work and development of the reform of civil service are to be improved.

Last year we considerably improved material maintenance of courts and law enforcement system in whole. Now we are expecting serious improvement in the work of judiciary.

Fight against drug dealers, criminality in whole and corruption remains one of crucial tasks.

Drug addiction in Kazakhstan is becoming a great trouble. And I don't see that law enforcement bodies of the country, districts and regions are seriously occupied with the problem and have started to solve it.

I have to remind again and again that law enforcement bodies must first of all protect legal rights and freedoms of the citizens of the country as representatives of authorities. Some of them misunderstand the task.

We must continue humanization of the system of criminal punishments and improve conditions in reformatories.

New criminal legislation has decriminalized some actions, softened criminal proceedings for some crimes and enlarged the number of punishments alternative to imprisonment.

But statistics shows that law applicable practice both of the bodies of criminal persecution and courts has become unjustifiably strict.

Therefore it is necessary to realize criminal policy clearly as the law must be strict for those who have committed grave crimes but humane for those who have committed small or medium crime and also for women and minors.

The situation is not good in legislative sphere. The number of legislative acts adopted during the years of independence is approaching one thousand.

It starts to create difficulties with their correct application, there appears the necessity to release acting law from legal collisions, outdated and doubling norms.

An another inveterate problem consists in the fact that many of laws we have adopted do not work in full measure because of absence of necessary minor acts.

Frequent cases of lobbying some laws by deputies cause concern as they conceal narrow interests of some state institutions or business groups.

Ratification of international treaties is a separate problem. The analysis has shown that during ten years we have ratified about 350 international treaties and also joined about 50 treaties adopting legislative acts.

Here some questions appear. Don't we assume too many international obligations? Do all of them meet Kazakhstan's interests? Don't they prevent us from developing our national legislation according to the Constitution of the Republic of Kazakhstan?

It is necessary to inventory these treaties and assumed obligations.

All I have said about earlier shows that we need to take correct decisions on key directions of domestic and foreign policy. We need to work more actively, more creatively.

Focusing your attention on the sphere of economic and social development I want to note that clearly set priorities acquire key importance. Therefore, we should concentrate resources on them, strictly observe the measure between accumulation and consumption.

In order to make our work on these directions correct, it is necessary to improve the character, content and horizons of planning, its methodological and methodical basis.

For these purposes, starting with the next year the Address of the President to the People of Kazakhstan will be stated not at the end of budget planning but before it in order to give the budget builders a chance to determine the priorities for the next year. It must happen at the end of the first quarter.

And the process of budget planning must be more independent from the Ministry of Finances and the Government.

The necessity to achieve full adequacy of budget and strategic planning, concentration of the work of the National Bank on monetary policy has become imminent.

According to the strategy all ministers must have clear and understandable for the society plan of work for a year developed into appropriate budget programs and give reports on its execution.

This demand is also applicable for governors of all levels.

Next year the main slogan must be "Investments, support to lower-paid salary workers and security of the country".

In 2002 the Government must solve the following tasks:

to finish development of industrial and regional policies;

to clarify planning system;

to start further decentralization of state functions and to fix medium-term model of inter-budget relationship;

to improve significantly budgeting process including transition to approval of three-year perspective budget.

It is time to think over the Concept of Budget Code of the country.

For further development of the real sector it is necessary to make amendments to acting legislation on the following issues:

activities of joint stock companies;

regulation of securities market;

record and accounting.

It is also necessary to adopt the Law on state regulation of civil aviation.

By the end of 2002 the Government must ensure transition of large enterprises to international standards of business accounting.

I think that economic conditions to increase minimal salary by 20 percent have been created.

I appeal to all companies working in Kazakhstan with a request to increase salaries of their workers. It will be a good present for the citizens of Kazakhstan for the tenth year of independence.

It is necessary to solve the problem of capitalization of domestic private sector more actively as we will not be able to oppose negative manifestation of globalization in economy without it.

We must deepen the policy of import substitution and also to strengthen measures on export orientation of our economy, expansion of our capital to the nearest countries.

Our business must show its ability to unification in the interests of the country, to consolidate its resources to solve large problems of investment. The Government must assist in it.

In order to increase the volumes of economy and to support business the state must increase the program of state investments into all crucial infrastructure objects allocating about 90 billion tenge for these purposes from the budget and it is 30 percent more than in the budget for this year.

I want to emphasize the following tasks for the Government for 2002:

to continue construction and reconstruction of the new capital;

to start development of Amangeldy group of gas fields;

to continue construction of the railway from Donskoye to Krasnooktyabrsky mine;

to determine the project to construct Koksarai reservoir;

to finish construction of a bridge over the Ural River near the city of Uralsk.

There are important tasks in construction and reconstruction of motor roads, this year 42 billion tenge will be invested into this sphere and it is 60 percent more than this year.

Rehabilitation of the motor road from Almaty to Astana must be finished next year.

Reconstruction of roads in motor roads in Western Kazakhstan will be started, including Atyrau-Ural-Aktobe, Almaty-Bishkek, Almaty-Khorgos as well as the bridge over the Syrdaria River. Construction of parts of the motor road from Astana to Borovoye and from Eastern Kazakhstan to the border of the Republic of Altai will be continued.

There are also great tasks in social sphere.

Solution of strategic tasks of people will be mainly determined by quality of our health care and health of our nation.

We have been achieving reduction of mothers and infant death rate. Morbidity with acute intestinal infections and viral hepatite, bacterial diphtheria and typhoid has reduced. One of the most dangerous diseases, poliomyelitis, has been eliminated.

At the same time the society is right to put a question of improvement of accessibility and quality of medical services.

It is necessary to raise the level and status of medicine management body. We should create the Ministry of Health Care.

The work to improve educational system must become another crucial direction in social sphere.

Our main task in the sphere must consist in raising competitiveness of Kazakhstan's system of higher education related to educational systems of other CIS countries especially Russian system as well as leading countries of Central and Eastern Europe.

Taking in regard that Kazakhstan will play increasingly big role on world energy markets we should organize training of qualified specialists in universities. Creation of Kazakh-British University to train specialists of oil sphere and managers has become a necessity. It is necessary to restore high prestige of technical professions.

It is time to take additional measures to increase pensions and salaries of the workers of budget organizations.

In 2002 it is necessary to solve the question of social justice for pensioners. Therefore, the pensions allotted before 1994 should be increased by 25 percent.

Pensions allotted since 1994 till 1998 will also be increased.

It is necessary to increase salaries to workers of budget organizations – doctors, teachers and others. Salaries of the most lower-paid categories must be increased not less that by 25 percent.

Next year the Government must introduce a new system remuneration of labour in budget organizations and also to submit the draft "On civil service" to the Parliament.

Salaries of civil servants will be also increased, first of all of junior and medium personnel.

This increase of salaries and pensions will concern 2.7 million.

And we must remember that last year we considerably increased salaries of military men and workers of law enforcement system. Thus, improvement of economy has positively affected all strata of the country.

We will pay more attention to security.

Our priorities in foreign policy are constant. At the same change of the situation and needs of the country require increased attention to such directions as:

accelerated formation of regional markets, first of all, Eurasian and Central Asian Economic Communities;

enlargement of cooperation within the Shanghai Organization for Cooperation;

activation of diplomatic efforts on peaceful solution of the problems in Caspian region.

The appearing situation requires increased attention to formation of efficient system of regional security basing on such institutions as Collective Security Treaty, Shanghai Organization for Cooperation.

Besides, we attach great importance to the Conference on Interaction and Trust Measures in Asia. The summit will take place in November.

It is necessary to intensify efforts on building modern Armed Forces.

For this purpose it is necessary to increase financing of the Army in 2002 related to this year by about 8 billion tenge.

Considerable means that will grow by over 50 percent will be allocated for frontier and interior troops.

Dear deputies! Dear compatriots!

Soon we will celebrate the tenth year of our independence. This date is important for us for many reasons.

As estimation of our work. As the possibility of self-affirmation. As a factor of education of our youth, children and grandchildren. As a foundation for further development.

The time and our descendants will give overall and correct estimation to the past decade.

But we must understand that celebration of the tenth anniversary is not a rest on a very long way.

It is only the possibility to look around and to see that main road lies ahead, we need new forces and faster advancement.

We have great tasks ahead. In general we can say that it is building of a state where there will not be place either for political, religious or national extremism.

Building of Kazakhstan based on stable foundation of political and social justice, economic freedom, the country where the rule of law will dominate.

And this is exactly what not only we but all our friends and partners in the world need. This is the guarantee of our confident advancement towards worthy future.

**September 3, 2001**

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