

“We express satisfaction with the progress the United States and Kazakhstan have made in advancing our strategic partnership, and declare our commitment to a shared vision of stability, prosperity, and democratic reform in Central Asia and the broader region”.

**Presidents Nursultan Nazarbayev and George Bush,
Joint Statement between the United States of America
and the Republic of Kazakhstan
29 September 2006, The White House**

“Kazakhstan has contributed much to global security. Your country was the first to renounce nuclear weapons after the breakup of the Soviet Union, and today we appreciate your staunch support for the people of Iraq. You have set a wise course for good relations with your neighbours, and we share a vision for regional integration and energy diversification. As you move forward with critically-needed assistance for Afghanistan, Kazakhstan’s stature as a regional leader is sure to grow.

I welcome your announcement of reforms aimed at strengthening the role of parliament and political parties. I believe we should work to extend the benefits of our dynamic bilateral relationship to advance reform, stability, and prosperity throughout Central Asia”.

**George W. Bush, President of the United States
Congratulations on the 15th anniversary of diplomatic
relations between Kazakhstan and USA, March 2007**

“We admire this nation's many contributions to our world, and the United States is proud to count Kazakhstan as a friend. Your nation has abundant resources and an even greater supply of human talent. And America has tremendous confidence in your future as a successful, independent, sovereign and prosperous nation”.

**Richard Cheney, Vice-President of the United States
5 May 2006, Astana**

“Today, Kazakhstan is poised and ready to break a path for a new Silk Road, a great corridor of reform linking the provinces of northern Russia to the ports of South Asia, the republics of Western Europe to the democracies of East Asia. A strong and prosperous and democratic Kazakhstan will once again energize the global transmission of learning, and trade and freedom across the steppes of Central Asia. This nation has a glorious past and it is destined for a hopeful future. Kazakhstan’s greatest days lie ahead of it. And the United States wants to be your partner”.

**Condoleezza Rice, US State Secretary
13 October 2005, Astana**

“We must continue strengthening our economic and political cooperation with Russia, China, and Central Asian countries. We must create a firm foundation for stability, an open dialogue and interaction in the region. We are also expanding our constructive exchanges with the United States, European Union, and NATO with a view to strengthening security in the Central Asian region.”

**Nursultan Nazarbayev, President of the Republic of Kazakhstan
State-of-the-Nation Address “Growth of Welfare of Kazakhstan’s
Citizens is the Primary Goal of State Policy”
6 February 2008**

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KAZAKHSTAN AT A GLANCE (COUNTRY BRIEF OVERVIEW)

President: Mr Nursultan Nazarbayev (at the split of the USSR elected president December 1, 1991; as per new, amended Constitution elected to the first seven-year term on January 10, 1999; re-elected to the second seven-year term on December 4, 2005)

Prime Minister: Mr Karim Massimov (since January 2007)

Chairman of the Senate of the Parliament (upper chamber): Mr Kassym-Jomart Tokayev (elected January 2007)

Chairman of the Majilis of the Parliament (lower chamber): Mr Aslan Mussin (elected August, 2007)

State Secretary (social, inter-ethnic, cultural affairs; civic development, gender policy): Mr Kanat Saudabayev (since May 2007)

Foreign Minister: Mr Marat Tazhin (since January 2007)

Other members of the Government:

Deputy Prime Minister: Mr. Umirzak Shukeev

Deputy Prime Minister: Mr. Erbol Orynbayev

Minister of Internal Affairs: Mr. Baurzhan Mukhamedjanov

Minister of Economy and Budget Planning: Mr. Bakhyt Sultanov

Minister of Industry and Trade: Mr. Vladimir Shkolnik

Minister of Energy and Mineral Resources: Mr. Sauat Mynbayev

Minister of Finance: Mr. Bolat Zhamishev

Minister of Transportation and Communications: Mr. Serik Akhmetov

Minister of Environment: Mr. Nurlan Iskakov

Minister of Agriculture: Mr. Akylbek Kurishbayev

Minister of Culture and Information: Mr. Mukhtar Kul-Mukhammed

Minister of Tourism and Sport: Mr. Temirkhan Dosmukhambetov

Minister of Labour and Social Protection: Mr. Berdibek Saparbayev

Minister of Justice: Mrs. Zagipa Baliyeva

Minister of Education and Science: Mrs Zhanseit Tyuymebayev

Minister of Healthcare: Mr. Anatoly Dernovoy

Minister of Defence: Mr. Daniyal Akhmetov

Minister of Emergency Situations: Mr. Vladimir Bozhko

Independence: December 16, 1991; **Day of the Republic:** October 25, 1990 (date on which Kazakhstan passed Sovereignty Declaration)

Location: South of Russia, Northwest of China, North of Kyrgyzstan, Uzbekistan and Turkmenistan and Northeast of Caspian Sea.

- Total area: 1,687,443 sq miles (2,717,300 sq km)
- Land area: 1,657,945 sq miles (2,669,800 sq km)
- Comparative area:
 - Ninth largest in the world, equivalent to the size of Western Europe.
 - Four times the size of Texas.
 - Five times the size France.

Boundaries: Total 7,459 miles (12,012 km (without Caspian shoreline)

The Republic of Kazakhstan shares its longest borders with Russia, 4,251 miles (6,846 km) and China, 951 miles (1,533 km). It also borders 1,183 miles (1,894 km) on the Caspian Sea.

Major Cities: Astana (capital, moved from Almaty in December 1998); Almaty, Karaganda, Shymkent, Atyrau, Aktobe, Oskemen.

Population: 15.56 million

Ethnic and Social Diversity:

- Kazakhstan's **ethnic composition** is the driving force behind much of the country's political and cultural life. The country's principal ethnic groups include Kazakh (58.9%), Russian (25.9%), Ukrainian (2.9%), Uzbek (2.8%), Uighur, Tatar and German (1.5% each), and other groups (4%). There are **more than 100 other ethnic groups** living in peace in Kazakhstan.
- Two major **religions** in Kazakhstan are Islam and Christianity (57% and 40% of all believers, respectively) Most Muslims in Kazakhstan belong to the Sunni denomination of Islam, while most of Christians belong to the Russian Orthodox Church. The rest constitute other religions – **there are more than 40 confessions** in Kazakhstan which are organised in more than 3000 religious organisations. It is worth mentioning that although most people in Kazakhstan associate themselves with a certain religion, **most of the population is not deeply religious**.
- **Languages:** **Kazakh**, spoken by over 52% of the population, **is the state language**. Russian, spoken almost by everyone, enjoys equal status under the Constitution and is a means of interethnic communication in Kazakhstan. Newspapers, TV/Radio programs, school instruction are done in 11 languages (Kazakh, Russian, Uzbek, German, Korean etc.)
- **Literacy:** 100% of age 15 and over can read and write.

In 1997, Kazakhstan launched the long-term national strategy “Kazakhstan 2030. Prosperity, Security and Improvement of Welfare of the Citizens of Kazakhstan”. The strategy identified seven national priorities for the period to the year 2030 which serve as a “road-map” for Kazakhstan’s future growth.

- National security. Ensure development of Kazakhstan as an independent sovereign state preserving its complete territorial integrity;
- Safeguard and strengthen domestic political stability and national unity;
- Economic growth based on an open market economy with high levels of foreign investments and internal savings. Achieve realistic and sustainable rates of economic growth;
- Health, education and well-being of the citizens of Kazakhstan. Consistently improve living standards, health, education and opportunities of Kazakhstanis and improve the natural environment in the country;
- Energy resources. Effectively utilize energy resources of Kazakhstan through rapid increases in extracting and exploring oil and gas with the aim of gaining revenues to engender stable economic growth and improve living standards;
- Infrastructure and particularly transport and communications. Develop these key sectors to enhance national security, political stability and economic growth; and
- Professional government. Establish an effective professional corps of civil servants and state-owned formations of Kazakhstan loyal to the cause they serve and capable of acting as representatives of people in achieving national priorities.

ECONOMIC OVERVIEW

Minister of Economy and Budget Planning: Mr. Bakhyt Sultanov
Minister of Industry and Trade: Mr. Vladimir Shkolnik
Minister of Energy and Mineral Resources: Mr. Sauat Mynbayev
Minister of Finance: Mr. Bolat Zhamishev
Minister of Transportation and Communications: Mr. Serik Akhmetov
Minister of Environment: Mr. Nurlan Iskakov
Minister of Agriculture: Mr. Akylbek Kurishbayev
Chairman of National (Central) Bank: Mr Anvar Saidenov

The perspective of the Kazakhstan economy is closely connected with further integration into international economic relations, utilisation of unique reserves of energy and mineral resources, vast possibilities to export industrial and agricultural products, optimum employment of country's transit potential and also with availability of highly qualified specialists in different spheres.

During the Soviet period Kazakhstan was an agrarian, raw materials supplier of the former Soviet economy, where the military industry played the major role. **The main economic content of 16 years of independence has become transition from the central command planning to a market system. During these years, Kazakhstan has made considerable progress in implementing complex political, economic and social reforms to establish a democratic state with a market economy.**

While the country has not experienced political disturbances during the transition period, it has faced numerous economic, social and environmental challenges.

The first few years of Kazakhstan's independence were characterized by an economic decline (mostly due to the destabilizing force of disintegration of the Soviet Union): by 1995 real GDP dropped to 61,4% of its 1990 level. **This economic deterioration exceeded the losses experienced during the Great Depression of the 1930s.**

The wide-ranging **inflation observed in the early 1990s** peaked at annual rate of up to **3000%** in mid-nineties.

Since 1992, Kazakhstan has actively pursued a program of economic reform designed to establish a free market economy through privatization of state enterprises and deregulation and today is generally considered to be more advanced in this respect than most other countries of the CIS.

Kazakhstan remains one of the most successful reformers in the CIS, and it has the strongest banking system in Central Asia and CIS.

The main goals of current structural policy are diversification and the strengthening of the non-oil sector. A number of development agencies and research centers (Development Institutions) have been established and the Government is looking at establishing techno and science parks to support the diversification of higher-value added industries. But there are certain obstacles inherited from the past to quickly achieve this.

The EU and USA have recognized Kazakhstan (first in CIS) as a country with market economy in 2001 and 2002 respectively. Kazakhstan has become the first country in the CIS to reach investment grade status. In January 2005 the Organization for Economic Cooperation and Development (OECD) has upgraded Kazakhstan's country export risks rating, moving it from the 5th to the 4th group of risks.

Kazakhstan possessing **sizable amounts of oil and gas, coal, uranium** is an important energy player in the world. However, having these abundant resources, the Government and the

country's energy sector keep an attentive eye on **global energy trends**. Optimal **energy mix, efficient energy use, significant environment component of energy policy, research and development of renewables** are all on the country's energy policy agenda. **In 2006 Kazakhstan has produced its first wheat-based bioethanol** and this private sector programme will expand further.

Energy transportation and infrastructure are key elements of a viable energy policy. **EU and its Energy Commissioner** have identified their strong interest to cooperate with Kazakhstan in this area, particularly on trans-continental gas and oil transportation issues. **Kazakhstan** has made it clear that this fully meets its own vision for the development of **multiple energy transportation routes** from and through Kazakhstan.

Commercial viability, technical and environmental safety and financial soundness are the guiding principles for Kazakhstan's strategy in this crucial area.

The **main economic priority for Kazakhstan** is to avoid overdependence on its oil and gas and minerals sector, but to use these natural assets **to build a modern, diversified, highly-technological, flexible and competitive economy with a high value-added component**. This is the central goal of the **National Strategy until 2030** adopted in 1998 and the **State Industrialization and Innovation Programme until 2015** launched in 2003.

In 2006 Kazakhstan has additionally announced a major drive for **the Strategy to enter the 50 most complete nations** in the world in ten years time.

In 2007 a **State Program of "30 Corporate Leaders of Kazakhstan"** aimed at diversification of the economy has been launched. The goal of the Program is to modernize the economy and support Kazakh companies willing to enter international markets through offering competitive products.

Diversification of the economy, introduction of **international technical, financial, business standards**, accession to **the WTO**, promotion of **corporate governance, greater transparency and accountability, education** and a concerted **administrative reform** have been identified as the key drivers to implement the above strategies (for more, please see p.17 President Nazarbayev's 2008 State-of-the-Nation Address).

- In 2006 the Government has drastically increased the budget of a **state-run scholarship programme "Bolashak" ("Future")**. If to date only about 800 Kazakh students could enjoy the benefits of "Bolashak" scholarship since its inception in 1994, **starting from 2006 the Government fully funds 3000 Kazakh students annually to study in the world's best universities**. As of February 2008 the intake of "Bolashak" students in the US reached about a 1000 young Kazakhstanis.
- Aiming to cut bureaucracy the Government is widely introducing the **"e-government"** in all major sectors. This measure coupled with other **result-oriented administrative reform steps** is viewed, among other things, as an important tool in **the fight against red-tape and corruption**.
- In order to further improve the country's competitive edge and regional role through **enforcing the principles of efficient corporate governance and management, greater transparency and accountability** as well by boosting its financial markets the Government has taken major steps in early 2006, namely it established the **"Samruk"** State holding company, **"Kazyna"** Fund for sustainable development and initiated the establishment of the **Regional Financial Centre in Almaty (RFCA)** (for more details, please see pp. 88, 92 and 98 respectively).
- Over the last three years (2005-2008) **21 Kazakhstan companies have been listed at the London Stock Exchange** (10 on the main market, and 11 on AIM, market for growth companies). This has proved **de-facto Kazakhstan's leadership in the former Soviet Union in implementing Western instruments, managerial skills and business standards** in the country's economy.

- Starting from 2005 Kazakhstan has been practically implementing the UK's **Extractive Industries Transparency Initiative** with the aim to deliver a clear signal to international investors community and financial institutions that the Government of Kazakhstan commits itself to greater transparency to further improve investment climate, strengthen accountability and good governance, as well as promote greater economic and political stability throughout the country which will be based on the principles of decentralization, industry specialization, free market competition and transparency.
- **Kazakhstan** has officially announced its aspiration **to become a trilingual nation** to help meeting its ambitious goals. These will be **Kazakh** as the state language, **Russian** as the language of interethnic communication, and **English** as the language of successful integration into the global economy and community.

Social and political stability, along with tremendous natural resources, make **Kazakhstan one of the most attractive destinations for capital investments** among the republics of the former Soviet Union.

ENERGY OVERVIEW

Minister of Energy and Mineral Resources: Mr. Sayat Mynbayev
President, KazMunayGas (National Oil & Gas Company): Mr. Serik Burkitbaev
Current Oil Reserves: 32.5 billion barrels (twice as much as the North Sea)
Projected Oil Reserves: 100-110 billion barrels by 2015 (would be in top 5 of the world)
Oil Production (2007): 67.2 million tonnes
Oil Consumption (2007): 12.9 million tonnes
Net Oil Exports (2007): 60.6 million tonnes
Crude Oil Refining Capacity: 18.6 million tonnes
Current Gas Reserves: 3 trillion cubic metres
Projected Gas Reserves: 5 trillion cubic metres by 2015
Natural and Crude Gas Production (2007): 29.6 billion cubic metres
Natural Gas Consumption (2007): 8.9 billion cubic metres
Net Natural Gas Export (2007): 10.2 billion cubic metres
International Transit of Gas (2007): 100.2 billion cubic metres
Coal Reserves billion short tons (Mmst)
Coal Production (2007): 94.4 million tons
Coal Consumption (2007): 68.7 million tons
Coal Export (2007): 25.7 million tons
Electric Generation Capacity: about 19.5 gig watts (GW)
Electricity Generation (2007): 76.34 billion kilowatt-hours (kWh)
Electricity Consumption (2007): 76.43 billion kilowatt-hours (kWh)
Uranium Reserves: 1.5 mln tonnes (or 20% of the world reserves)
Uranium Production (2007): 6637 tonnes

One of the country's top priorities is **efficient development of its Caspian off-shore energy resources**. Recent developments in this area give hope that further development of North Caspian oil and gas fields will start in the not-to-distant future.

Originally, the status of the Caspian Sea was regulated by the bilateral treaties of 1921 and 1940, made between the former Soviet Union and Iran.

With the break-up of the Soviet Union, offshore territorial rights have generally become more complex. While Iran, Russia and Turkmenistan have argued the case for equal sharing of the assets, Kazakhstan and Azerbaijan **have always preferred a formal political division based on the extension of country boundaries into the Caspian Sea**.

Russia has now changed its view and supports Kazakhstan and Azerbaijan, arguing for the delineation of the seabed based on the principle of equal distance or median line, this basically depending on the length of the shoreline. **In 2002 Kazakhstan signed bilateral agreements with Russia and Azerbaijan on delimitation of the Northern Caspian seabed and the joint development of the Khvalynskoe, Tsentralnoe and Kurmangazy off-shore oilfields with Russia.**

In 2003 Kazakhstan has adopted a **State Programme of development of the Kazakhstan sector of the Caspian Sea** the main target of which is to boost environmentally safe oil and gas production to generate revenues to help diversification and modernization of the whole economy, to make it highly competitive and non-dependent on oil and gas sector. **In 2006 the Phase II of the Strategy was commenced.**

The demand of the world for **quality uranium fuels** increases year by year. Last year nuclear power plants produced around sixteen per cent of world electric power. Forty new power generating units are being constructed in fifteen countries of the world. **Kazakhstan has been an important source of uranium** for more than fifty years. Approximately one-fifth of world

uranium reserves are deposited in Kazakhstan. Total resources and reserves of uranium are over 1.5 million tonnes, over 1.1 million tonnes of which can be mined by the in-site leaching method. Some 50 uranium deposits are known, in six uranium provinces. Over 2001-2006 production rose from 2,000 to more than 5,000 tonnes per year, and further active mine development is under way with a view to reach **annual production of 15,000 tU/yr by 2010 which will make Kazakhstan the biggest uranium producer in the world.** State owned National Atomic Company Kazatomprom is the sole organization for uranium mining, reprocessing, export & import operations in Kazakhstan (*President – Mr. Mukhtar Jakishev*).

Kazakhstan possessing **sizable amounts of oil and gas, coal, uranium** is an important energy player in the world. However, having these abundant natural energy resources, the Government and the country's energy sector keep an attentive eye on **global energy trends.** Optimal **energy mix, efficient energy use, significant environment component of energy policy, research and development of renewables** are all on the country's energy policy agenda. **In 2006 Kazakhstan has produced its first wheat-based bioethanol** and this private sector programme will expand further. There are also plans to set up wind farms in the mountainous region of Almaty.

Energy transportation and infrastructure are key elements of a viable energy policy. **EU and its Energy Commissioner** identified last year their strong interest to cooperate with Kazakhstan in this area, particularly on trans-continental gas and oil transportation issues. **Kazakhstan** has made it clear that this fully meets its own vision for the development of **multiple energy transportation routes** from and through Kazakhstan.

Commercial viability, technical and environmental safety and financial soundness are the guiding principles for Kazakhstan's strategy in this crucial area.

POLITICAL CONTEXT - BRIEF OVERVIEW

The Constitution of the Republic of Kazakhstan approved through a national referendum in **August 1995** and ratified the following month replaced an earlier “soviet-style” constitution adopted in the wake of independence from the Soviet Union. **The Constitution provides for a democratic, secular state and a presidential system of rule.** State governance is divided among the executive, legislative and judicial branches. The President is considered the head of state. **In October 1998, the Constitution was amended to provide for a seven-year presidential term.** The **first presidential** election under the amended constitution was held in **January 1999** and resulted in the election of President Nazarbayev to the first seven-year term; the second took place in **December 2005**. **In May 2007 the Constitution was further amended** to re-fix two terms for any president and reduced one presidential term from seven to five years, **increased the powers of Parliament** so that the executive branch is more accountable to it. **This was introduced in accordance with the OSCE’s recommendations. The Constitutional reform also established proportional representation** to elect members of the Majilis (Lower House) and a **party-based parliamentary system. This was a major move by Kazakhstan towards a parliamentary majority system.**

Parliament is a bicameral legislative body that consists of the Senate (the Upper House) and the Majilis (the Lower House). Since 2007 Constitutional reforms the number of MP’s has been increased:

- from 39 to 47 members in Senate. The President appoints 15 of them from the choice of prominent public figures, academics, intellectuals etc.
- from 77 to 107 members in Majilis (main legislative body). 98 of the Majilis deputies are elected in a nationwide constituency **on the basis of proportional party lists.** Nine of the Majilis deputies are elected by **the Assembly of the People of Kazakhstan** (an umbrella grouping of more than 100 ethnic minorities in Kazakhstan).

Parliament elections:

- **December 1999** – first ever alternative parliamentary elections carried out on party basis with 8-9 candidates per seat and 9 parties taking part in elections, observed by OSCE.
- **September 2004** – **new parliamentary elections**, the clear sign that Kazakhstan is continuing on the path to democratic reform; millions of people - fifty six per cent of those eligible to vote - took part in multi-party elections to the Majilis (lower parliamentary house) which were held under the new, more advanced Election Law adopted in April, 2004.
- **August 18, 2007** – latest parliamentary elections and **first held on proportional representation or completely party-lists based system.**
Election results: Majilis - percent of vote by party - Nur-Otan 88.1%, NSDP 4.6%, Ak Zhol 3.3%, Auyl 1.6%, Communist People's Party 1.3%, Patriots Party 0.8% Ruhaniyat – 0.4%; seats by party - Nur-Otan 98%. Note - parties must achieve a threshold of 7% of the electorate to qualify for seats in the Majilis.

Presidential elections:

- **January 1999** – first ever alternative presidential elections with four alternative candidates for the Presidency, observed by OSCE.
- **December 2005** – **new presidential elections with 5 alternative candidates, 2 being major opposition leaders.** President Nursultan Nazarbayev has been re-elected for a new seven-year term in office after he contested with 4 other candidates and won the majority of the votes with about 80% electorate turn-out.

The Constitutional Council is charged with the responsibility of deciding when to hold presidential and parliamentary elections, and examining legislation for compliance with the Constitution.

State-of-the-Nation Addresses. Comprehensive democratization programme was formulated by President Nursultan Nazarbayev in his message to the Parliament in the fall of 1998 and is being gradually and persistently implemented.

On 1 March 2006 the President reinforced these objectives in his **State-of-the-Nation Address** calling for **bold economic moves to bring the country into the group of 50 most competitive nations in the world** and for **enhanced political reform under the aegis of the newly established State Democracy Commission** comprising representatives from all segments of Kazakhstan's society.

On 28 February 2007 President Nursultan Nazarbayev delivered his **annual State-of-the-Nation address, New Kazakhstan in a New World**, outlining the strategy for Kazakhstan's development over the next decade. The most important messages of the address were:

- Ensuring a major breakthrough in the quality of life of the people of Kazakhstan;
- Raising the quality of education and healthcare to world-class standards;
- Speeding up and diversifying economic development;
- Joining the World Trade Organization (WTO);
- Implementing concrete measures to further democratize society so as to strengthen the role of both Parliament and local representative assemblies. Reforms required amending the country's Constitution (see below)

On February 6, 2008 President Nursultan Nazarbayev delivered his annual State-of-the-Nation Address announcing a number of important initiatives. The focal points of his speech were economic development, further political modernization and democracy, social security and strengthening of Kazakhstan's international alliances.

To support Kazakhstan's new and important role as the chairman-elect of the OSCE in 2010, President Nazarbayev initiated in his State-of-the-Nation Address a new program, **“Road to Europe”**, which will facilitate “promoting economic cooperation, attracting new technologies and management expertise and also assist in improving our legislation and setting up the agenda for our chairmanship in the OSCE” (see below).

Civil society: there are more than **5000 NGOs** in Kazakhstan operating in such areas as politics and civic development, business, environment, education, health care, gender policy etc.

Above **80% of mass media** in Kazakhstan are private with more than **2000** independent newspapers and more than **100** independent TV, Radio and electronic media (for more see p 57).

Representatives of about **46 religious confessions** organized in about **3000** religious organizations enjoy religious freedom in Kazakhstan with Sunni Islam and Christian Orthodox being predominant in figures (for more see p. 61 and p.160).

People of more than **120 ethnic groups** live in peace and harmony in Kazakhstan with Kazakhs, Russians, Ukrainians, Byelorussians, Germans, Uzbeks, Uighurs and Koreans being predominant in figures. (for more see p. 61)

Further democratization is being encouraged in Kazakhstan: **the new independent institution of Ombudsman on human rights set up in 2002 is further enhanced; State Commission on Democracy set up in 2006 provided a forum for dialogue on further democratisation (comprised authorities, MPs, leaders of all political parties, representatives of NGOs and media).**

It has concluded its work in early 2007 and produced a series of major recommendations in such key areas as enhancing the role of the Parliament, political parties, civil society, local governance, media in the country. The recommendations call on a better use of the potential of the existing Constitution but do not rule out further amending and perfecting the Constitution to reflect the political growth of the country. An Ad Hoc Working Group of highly respected

independent experts has been set up to produce recommendations on amending the Constitution, which was eventually amended in May, 2007. It is, however, widely believed among Kazakhstan's political circles that the Presidential form of democracy currently suits the country best, particularly as it continues to go through a challenging transition process.

There are **10 political parties** in Kazakhstan as compared to 13 in 2006. Four parties representing supporters of the current Government merged by the end of 2006, and as a result "Nur-Otan" - a new pro-presidential pro-reform party able to effectively represent interests of its numerous supporters - emerged on the political stage of Kazakhstan. Also in 2006 a number of leftist parties were registered. On January 25, 2007 Nationwide Social Democratic Party was reregistered.

The beginning of 2007 has seen a robust process of mergers and consolidation of political parties, including opposition ones, particularly, in the run-up to 18 August, 2007 parliamentary elections.

After their failure in August, 2007 parliamentary elections the leaders of major opposition Nagyz Ak Zhol party decided in March, 2008 to make a re-branding effort, with a new name and a leadership shake-up, giving their political entity a new name - "Azat" ("free"). After reregistration, Azat starts preparing for the next parliamentary election.

FOREIGN POLICY

Minister of Foreign Affairs: Mr Marat Tazhin

- Kazakhstan established diplomatic relations with about **140 countries** and is a member of nearly **70 international organizations**.
- Over **1600 international and intergovernmental instruments** have been signed by Kazakhstan.
- **118 foreign diplomatic missions and offices of international organizations** with residence in Kazakhstan are accredited in Kazakhstan (74 reside in Kazakhstan and 44 are accredited concurrently).
- Kazakhstan has about **80 Embassies, diplomatic and consular stations** abroad.

Immediately after gaining independence, Kazakhstan has become an active participant in global processes and initiatives. The Republic has acceded to international conventions on a broad spectrum of issues, facilitating representatives of Kazakhstan to take part in multilateral forums that address world and regional concerns.

The key goals and principles of the foreign policy of Kazakhstan are:

- protection of its national interests;
- providing for the most favourable conditions for the development of economic and political reforms in the country and for the development of democratic institutions;
- development of equality in partnerships and co-operation with all the countries of the world;
- active participation in the processes of global and regional security building, cooperation and integration;
- development of strategic co-operation with leading countries for the purpose of protection and the development of global and regional stability and security;
- development of co-operation with international organizations.

Foreign policy achievements:

- Recognition of national sovereignty by the international community;
- Delimitation and international recognition of its borders;

- Implementation of a multi-vectored foreign policy;
- Promotion of international prestige of Kazakhstan in the world community;
- Implementation of integration-related projects;
- Formation of Kazakhstan's positive image on the international scene;
- Friendly and problem-free relations with all neighbours and other partner countries, particularly in Asia, Europe, America;
- Promotion of economic potential and investment attractiveness of Kazakhstan;
- Protection of national political and economic interests abroad;
- **Kazakhstan's OSCE Chairmanship in 2010.**

Kazakhstan's major foreign policy initiatives:

- **Conference on Interaction and Confidence-Building Measures in Asia (CICA):** initiated by President Nursultan Nazarbayev in 1992 at the 47-th session of the UN General Assembly. The first CICA summit was held in Almaty on June 4, 2002. Representatives from about 30 countries took part in the event (including Afghanistan, Pakistan, Iran, Israel, Palestine, China, Russia, etc.) and adopted the CICA Charter "**Almaty Act**". At the second summit in Almaty on June 17, 2006 member states adopted the **CICA Catalogue of Confidence Building Measures**. The third CICA summit is to be held in 2010.
- **Congress of World and Traditional Religions:** The first Congress was held in Astana on September 23-24, 2003. Senior clergy representing Islam, Christianity, Buddhism, Judaism, Hinduism, Taoism and other confessions adopted a Declaration stating that "extremism, terrorism and other forms of violence in the name of religion have nothing to do with genuine understanding of religion, but are threat to human life and hence should be rejected." The Second Congress was held in Astana on September 12-13, 2006. Leaders of major world and traditional religions signed a solemn declaration "together to tackle and ultimately eliminate prejudice, ignorance and misrepresentation of other religions" as a contribution in the global fight against terrorism. The Declaration, signed by leaders of 41 delegations representing Islam, Christianity, Buddhism, Judaism, Shinto, Taoism and Hinduism as well as non-governmental organizations and representatives of a number of governments, calls for "placing a particular focus on what religions hold in common rather than what divides them." The third Congress is to be held in Astana in the fall, 2009.
- **Forum "One Common World: Progress through Diversity" (Muslim World and West)** – initiated in 2007 with a purpose to enhance a genuine inter-civilisational high-level political dialogue between Muslim countries and the West; the first Ministerial Forum is to be held on October 17, 2008 in Astana.
- **Support for international coalition in Iraq** – Kazakh military engineers unit, stationed in Iraq under the US command since 2003, has defused more than 4 mln. explosives, provides training and medical services to local population.
- **Action plan for Afghanistan** – to support coalition forces Kazakhstan provides free over-flight and emergency landings. Kazakh Government also adopted **Action plan for Afghanistan for 2007-2008** with \$3 mln. aid package providing for grain supply, construction of a school, a hospital and a road. **A plan for 2009-2011 is being finalised.**

COMMON MISCONCEPTIONS IN THE WEST ABOUT KAZAKHSTAN

- Kazakhstan is frequently described in Western media articles as a “dictatorship” led by a “corrupt” and “autocratic ruler” who has been in power for “too long”. In fact, Kazakhstan is a country that is only 15 years old and which in that short time has achieved remarkable progress in transforming itself from a former Soviet republic into a new and increasingly successful Western-style democracy.
- Kazakhstan **has a record to be proud of:**
 - a. It has settled its borders with its vast neighbours.
 - b. It has strengthened its external security by a shrewd foreign policy that has achieved close ties with Russia, China, the United States and Europe simultaneously.
 - c. It has achieved an unprecedented degree of interethnic harmony, thereby laying the foundations for internal stability.
 - d. The economy has been privatized and has been growing at about 10% per annum for the last seven years.
 - e. Oil exports will continue to grow and steps have been taken to avoid the so-called “Dutch disease”.
 - f. Ordinary people have strong property rights: they are able to borrow money from banks to buy homes, land and other property knowing that they have a real chance to develop a personal stake in the economy. When they get old or ill they know that they will receive adequate support and medical care.

The result is that today Kazakhstan is probably the most stable and developed country in the former Soviet Union.

- How was this achieved? Many Westerners think the story is only about oil. The truth is different. Since the beginning, President Nazarbayev and the Government have placed emphasis on achieving political stability and economic growth, without which there can be no long-term future for the country. The President was absolutely right to do this. The economy was privatized in the 1990s and today, thanks to this policy and the rapid development of the energy sector, we are reaping the benefits. By staying faithful to the strategy of putting the economy and stability first, the Government has been able in the last two years to unveil a series of important democratic reforms that will in time lead to a fully-fledged democratic state.
- Despite the obvious signs of progress, Kazakhstan has been frequently criticized in the West for being “slow” to implement democratic reforms. For us, it is hard to know what “slow” in this sense actually means. In England, for example, democracy developed over more than 700 years, with often violent interludes. In Kazakhstan we have achieved an extraordinary degree of political freedom in just fifteen years without any violence at all. This is an almost enviable record in the region in which we find ourselves.
- The reality which Western observers often forget is that democracy is not only about laws and institutions, or even international observers to monitor them. It is fundamentally about custom, habit and culture - supported by property rights backed by the rule of law, without which there can be no genuine democracy at all. In practice this means that it is impossible to create a parliament one day and

expect democratic debate to occur in it the next. Or you cannot create a responsible opposition or media at the stroke of a pen. Establishing and nurturing an independent judiciary is an even greater challenge, as is tackling corruption at all levels.

- A common misconception in the West is that in Kazakhstan we are “forcefully” being dragged down the path to democracy against our will. This is not true. We have chosen to become a democracy because we believe it is the best way to run our society, ensure the prosperity of our people and guarantee the long-term security of our state. A large and stable democracy sitting at the heart of Central Asia is surely a positive thing for us and for our Western allies.
- That is why we are puzzled by some of the Western reactions to the elections that we have held in the last two years. Instead of nurturing the Kazakh electoral authorities and complimenting them on the progress that has been made in the conduct of elections, despite its many imperfections, Kazakhstan has been accused of failing to meet a ‘gold standard’ of democracy which few countries even in the West could achieve. The existence of large numbers of well-intentioned foreign observers to wave stern fingers does not always advance the democratic cause that we all share. There is an old French peasant saying: “Let not the excellent become the enemy of the good.” This is a wise saying and one from which we might all learn.
- Over the last three years Kazakhstan’s Government has set out and started to implement detailed plans for further democratization and economic development. These reforms are an integral part of the Government’s domestic agenda and they will be persistently implemented. Following on from the successful elections in September 2004 (Majilis) and December 2005 (Presidency), both of which were observed by more than 1,000 foreign observers, and building on the policies set out in the President’s State of the Nation speech in February 2005, the new plans for political reform have been meticulously developed and widely debated in the society under the aegis of the State Democracy Commission and envisage an enhanced role of the Parliament, nurturing of political parties and civil society institutions, building genuinely free media sector, efficient, fair and transparent judiciary system and institutions supporting the rule of law, developing and enhancing the traditions and culture of good and efficient local governance.
- The culmination of all above efforts came in May 2007 when a major Constitutional reform was announced. The gist of the Constitutional amendments is the gradual ceding of powers by the President to the legislature and a thoughtful move towards a parliamentary majority system. The amended Constitution calls for the election of the new, more powerful, political parties’ based Parliament. The election took place on August 18, 2007 – thus ushering in a principally new phase of political development of Kazakhstan.

KAZAKHSTAN IMPLEMENTS FURTHER POLITICAL AND ECONOMIC REFORM

President Nazarbayev delivers 2008 annual State-of-the-Nation Address, announces Kazakhstan's "Road to Europe"

Summary

On February 6, 2008 President Nursultan Nazarbayev delivered his annual State-of-the-Nation Address announcing a number of important initiatives. The focal points of his speech were economic development, further political modernization and democracy, social security and strengthening of Kazakhstan's international alliances.



Economic development

"Kazakhstan's further industrialization through making concerted efforts to join the community of the world's 50 most competitive nations and forming a select group of 30 corporate leaders should remain our primary goal", the President emphasized.

The "30 Corporate Leaders" initiative is being implemented as a priority project and it is destined to become a valuable contribution in sustaining Kazakhstan's dynamic growth. President Nazarbayev believes that its "implementation is helping true development of the non-commodity sectors of our economy.

Kazakhstan's sound financial system, touted as the most robust and advanced in the region, is one of the country's main "magnets" for foreign capital. "We view the advent of foreign capital to the banking sector as a vote of confidence in Kazakhstan, as a source of much-needed financial support and of best international practices in banking services".

However, President Nazarbayev warned against resting on laurels, saying that "structural reforms of our financial system must continue". "These involve further development of the securities market, advanced financial instruments, improved bankruptcy legislation, and a profound reform of the judiciary".

Recognizing the importance of having efficient infrastructure, particularly in such a vast country as Kazakhstan, the President asked that the efforts are concentrated around "proactive infrastructure support for key sectors of the economy" with a special focus on the transportation system.

Though famous for its abundant energy resources, Kazakhstan is keen on further development of environmentally-friendly and clean energy and supports energy saving and prudent consumption. "The Government ought to focus on introducing power-saving and environmentally clean technologies", the President said adding that "our companies and citizens are yet to adopt power

saving practices on a daily basis. We must say bluntly that cheap energy is running out. If one wants to pay less, one must save. This must be on everyone's mind”.

Further political modernization

On the political front, “political parties, NGOs and other civil society institutions” should play a more active role “in developing an up-to-date political system in Kazakhstan”, which should combine “universally recognized principles of democratic development and values of our society”. In other words, Kazakhstan will continue to absorb best foreign political practices and implement them having ensured their compatibility with inherent values and traditions of the Kazakh society.

Last year’s constitutional reform opened a new era in the political development of Kazakhstan and provided for a gradual ceding of powers by the President to the legislature and a thoughtful move towards a parliamentary majority system. Through such bold political steps, the country has reached the level of democratic development which gives the President every right to proudly declare that “there are no obstacles to the emergence of new parties or to the freedom of expression”. However, a lot is still to be accomplished by Kazakhstan, hence “the development of a modern political system should continue”.

According to President Nazarbayev, “for a democratic society, the fight against crime and corruption is assuming great significance”. Therefore, having recently launched the “Ten Smashing Blows Against Corruption” program, he reiterated his determination to uncompromisingly fight corruption and red-tape. “The law-enforcement system and the judiciary must assure fair and effective protection of Kazakhstanians’ rights, while protecting business from unlawful interference”, the President emphasized.

Social security

The Government’s social policy plays an important role in raising living standards of Kazakh citizens and President Nazarbayev spoke extensively of the challenges lying ahead in this area.

“Continued improvement of social well-being for all elements and social groups of the Kazakhstani society has been and will remain at the forefront of government policy”, he promised.

Healthcare and education, new jobs and high-quality housing rank high on the President’s agenda and the newly introduced three-year national budget will provide significant benefits for the population:

- **Overall rise of average pensions by the factor of 2.5 between 2007 and 2012, including a 25% rise in 2009, a 25% rise in 2010, and a 30% rise in 2011. Meanwhile, base pension benefits should reach 50% of the subsistence level by 2011;**
- **A 9% annual average increase in government social benefits and specialized government benefits starting in 2009;**
- **A phased increase of the monthly child care benefit once the child reaches one year of age, to exceed the 2007 benefits by an average factor of 2.5 by 2010-2011;**
- **An increase of one-off benefits for the birth of the 4th child and more, in excess of 4 times the 2007 amount, starting as of 2010;**
- **Salary increases for government employees, to gradually double salaries by 2012, including a 25% increase in 2009, a 25% raise in 2010, and a 30% raise in 2011.**

- **In 2009, the annual quota for government supported resettlement of Oralmans (Kazakhs coming back to the country from abroad) to their historic homeland should be raised by 5 thousand families to 20 thousand families a year.**

Foreign policy

"Our country has achieved a new level of international recognition. OSCE's unanimous decision on electing Kazakhstan the chair of the organization in 2010 is a paramount evidence" of the country's growing importance, President Nazarbayev said speaking of Kazakhstan's foreign policy.

To support Kazakhstan's new and important role as the chairman of Europe's largest security organization, President Nazarbayev initiated a new program, "Road to Europe", which will facilitate "promoting economic cooperation, attracting new technologies and management expertise and also assist in improving our legislation and setting up the agenda for our chairmanship in the OSCE".

The President promised to continue Kazakhstan's famous multi-vector foreign policy which allowed the country to have many friends and no foes in the international community.

"We must continue to strengthen our economic and political cooperation with Russia, China, and the Central Asian countries. We must create a firm foundation for stability, an open dialogue and interaction in the region. We are also expanding our constructive exchanges with the USA, EU, and NATO with a view to strengthening security in the Central Asian region", President Nazarbayev said.

The republic also plans to further strengthen its position as an active participant in the international organizations.

"I would like to stress that over the next few years a number of major international events of global importance will be held. I am referring to the Third Congress of World and Traditional Religions in 2009, the Conference on Confidence and Security Measures in Asia in 2010, work in the OSCE Troika starting in 2009, and chairing the OSCE in 2010", the President said.

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

For full text of the President's address, please visit Embassy's web-site:

www.kazakhembus.com

President Nursultan Nazarbayev's 2007 State-of-the-Nation Address

A New Kazakhstan in a New World: President Nazarbayev's Strategic Vision

Summary

Kazakhstan's President Nursultan Nazarbayev delivered his annual state of the nation address, *New Kazakhstan in a New World*, on 28 February 2007, outlining the strategy for Kazakhstan's development over the next decade.

The most important messages of the address were:

- Ensuring a major breakthrough in the quality of life of the people of Kazakhstan;
- Raising the quality of education and healthcare to world-class standards;
- Speeding up and diversifying economic development;
- Joining the World Trade Organization (WTO);
- Implementing concrete measures to further democratize society so as to strengthen the role of both Parliament and local representative assemblies. Reforms may require amending the country's Constitution.

Kazakhstan's **foreign policy priorities**, meanwhile, are to maintain good neighbourly relations with Russia and China, develop the strategic partnership with the United States and foster multifaceted cooperation with Europe.

"We are no longer a country of the Third World. This is the main result of our work for the past 10 years," the President declared in his speech listing Kazakhstan's economic and political achievements. These include the expected doubling of the country's gross domestic product by 2008 as compared to the year 2000. Accordingly, GDP per capita has grown considerably, reaching 5,000 dollars in 2006 with the forecast of 6,500 dollars in 2007.



"Today, having secured a solid foundation for our economy and statehood, we are confidently moving into a new phase. This will put Kazakhstan's continued development on a sustainable, modern and promising economic, social, political and administrative basis," the President said.

The economy's stable development has allowed the government to **allocate more resources to social reforms**. That is why the President instructed the Government to undertake a number of measures to improve social protection for motherhood and childhood, to increase pensions, and to raise wages in the state sector. Specifically, from 2008 one-off grants for the birth of a child will be doubled, working mothers will receive compulsory social insurance from employers during pregnancy, birth and motherhood, and other meaningful measures will be taken to improve the quality of life for the most vulnerable sections of the population. During 2008 the Government will spend an additional 108 billion tenge (US\$1 = 121 tenge) on such measures.

Elsewhere in the speech, the President outlined that 100 new schools and 100 new hospitals will be built during the next three years in regions across Kazakhstan where they are most needed. "We must make the development of social infrastructure our strategic task," President Nazarbayev explained.

He said that consistent implementation of the **Kazakhstan 2030 Strategy**, which was approved in the midst of harsh economic reforms in 1997 and which set out the master plan for the country's development for the next quarter-century, provided a sustainable basis for Kazakhstan's modernization.

“For Kazakhstan to become an integral and dynamic part of world markets for goods, services, labour, capital, and modern ideas and technologies”, the President said, “we should achieve the following ten goals.”

The first goal is not just to ensure and maintain sustainable economic development, but **to manage this growth**. In this context, the Government will need to develop a new approach to Kazakhstan's industrialization, limit the areas of natural monopolies, strengthen the financial system, create an efficient stock market, ensure Kazakhstan's accession to the WTO on conditions beneficial for Kazakhstan, and implement international technical standards. “This is my main task for the Government,” President Nazarbayev stressed.

Among the other goals set out by the President were **turning Kazakhstan into a “regional locomotive” of economic development** and a successful player in the world economy; raising the effectiveness of the extractive industries; ensuring the development of non-raw materials sectors and the diversification of the economy; developing modern infrastructure in accordance with the country's new role in regional and global economies; swift implementation of administrative reform according to best international practices; and promoting the achievements and opportunities of a new Kazakhstan in Central Asia and the world.

Another important goal set out by the President will be to aspire to **modern education and professional training, creating the foundations for a “smart economy,” using new technologies, ideas and approaches**. The most important criteria for success of ongoing educational reform will be the achievement of a level where “any citizen of Kazakhstan, having received the recognised qualifications, can become a specialist in any country of the world.” **Teaching all the people in Kazakhstan three languages** will become one of the most important priorities for Kazakhstan. “Kazakhstan should be viewed in the world as a highly educated country whose people use three languages. These will be **Kazakh** as the state language, **Russian** as the language of interethnic communication, and **English** as the language of successful integration into the global economy,” the President noted.

Modernizing the political system will be among the ten most important goals for the year ahead, and its achievement, said the President, will ensure political stability for the future. In 2007 Kazakhstan will start implementing further democratic reforms based on the proposals elaborated by the State Commission on Democratization which brought together the main political parties, public associations, experts and citizens.

The President noted, “It is important that these proposals do not simply copy foreign experience or abstract theories. They should take into account the needs of our society, and Kazakhstan's realities. We should see our own model of political reforms evolving, thereby developing **the Kazakhstan Way of political transition**. One of the features of our way are the preservation of the presidential form of government, phased introduction of reforms, balance in decisions, and national dialogue among and between the main political forces.”

In order to provide a legal foundation for these proposals, **a group of legal experts has already started work preparing proposals for key amendments in both the Constitution and key laws**.

First of all, the powers of Parliament will be expanded, specifically, in the formation of the Constitutional Council, the development of the authority of the Central Election Commission, the Accounting Committee and in oversight of budgetary matters. Parliament will also play a larger role in forming the Government.

Second, measures will be taken to increase the role of the main political parties. It is proposed to expand the powers of party factions in the Parliament and to finance political parties

from the national budget. Kazakhstan will also review the possibility of expanding the party lists in the elections for the Majilis, the lower house of Parliament.

Third, one of the major areas of reform will be in improving the judicial system. As of 2007, Kazakhstan is introducing jury trials. Also, a decision has been made to transfer the authority to issue arrest warrants to the courts. Kazakhstan will gradually move to legal proceedings that are both modern and transparent.

Fourth, local representative bodies will develop and maslikhats (local assemblies) will be strengthened.

“The overall objective of political transformation for us is to develop a democratic legitimacy which can most effectively manage society and state, while at the same time maintaining political stability and protecting the constitution and the freedoms of our citizens,” President Nazarbayev said.

Having accumulated an impressive level of economic and political capital, **Kazakhstan also intends to assume greater responsibility internationally**. It will continue to pursue a multi-vectored foreign policy and take part in fighting global threats.

The President stressed, “Kazakhstan has been and will be an active participant in a broad international cooperation aimed at nuclear containment, the fight against international terrorism, religious extremism, drug trafficking and other modern threats.”

Working with other countries to solve critical problems ranging from energy security to fighting epidemics and environmental catastrophes, Kazakhstan will continue to strengthen its role as a reliable participant in regional cooperation and in the international community as a whole.

“This is evidenced by our good neighbourly relations with Russia and China, which are important priorities, as well as in our interest and practical steps to develop the strategic partnership with the United States of America and our multifaceted cooperation with the countries of the European Union,” President Nazarbayev underscored.

Kazakhstan also intends to play an active role in ensuring regional stability, promoting economic integration in Central Asia and creating a dynamic market around the Caspian and Black seas. Such a policy course is already seen in Kazakhstan’s constructive initiatives to intensify cooperation in Central Asia, Asia in the general and the Middle East as well as to strengthen regional structures such as the Eurasian Economic Community, the Conference on Interaction and Confidence Building Measures in Asia and the Shanghai Cooperation Organization.

According to the President’s vision, Kazakhstan intends to negotiate with its regional neighbours a more favourable business climate in Central Asia which will allow Kazakh companies to freely invest in neighbouring countries and remove bureaucratic and protectionist barriers to imports and exports, as well as to the movement of capital and the workforce. Efforts will be centred on implementing projects in the countries of Central Asia with the participation of foreign financial institutions and Kazakh companies.

Finally, **Kazakhstan intends to strengthen its position as a centre of inter-cultural and inter-religious harmony to promote a dialog of civilizations.**

Kazakhstan’s policy of promoting tolerance and inter-religious harmony among ethnic and religious groups has been recognized internationally. “If there is a need, our country can serve as an international intermediary for finding mutually acceptable political solutions for conflict situations. Secondly, together with certain countries which are also interested in expanding and deepening such a dialogue, we could jointly come forward with major international initiatives aimed at improving understanding between East and West on key issues facing the modern world,” the President said.

The President concluded: “In order for us to present a new Kazakhstan in a new world in ten years, we must meet the challenges of modern times in an adequate and timely fashion.

History provided ample evidence of what happens when people demonstrate that, working together towards a common goal, they are capable of lifting themselves to a new level of development. Achieving our goals will mean that we must redouble our efforts, and in many cases we shall need to adopt new and unfamiliar approaches in all our government agencies and businesses, as well as in our scientific and expert communities.”

***For full text of the President’s address, please visit Embassy’s web-site:
www.kazakhembus.com***

President Nursultan Nazarbayev initiates a major Constitutional reform

Kazakhstan gradually moves from a presidential to a presidential and parliamentary form of rule



In a wide-ranging speech on May 16, 2007 to the Joint Session of the Chambers of the Kazakh Parliament, President Nursultan Nazarbayev summarised the stages of development of Kazakhstan's statehood since Independence in 1991, and addressed the reforms and priorities for the years to come.

"We are not attempting to copy anybody", he stated at the beginning. "We just implement those things which are required by our country and our nation."

He reviewed the lessons learned by the political leadership of Kazakhstan since 1991 and reiterated the **basic philosophy which has underpinned the development of the country's fledgling democracy, namely "first economy and then politics"**

The President has set out the principles that govern the next stage of democratization and reform:

Firstly, the effectiveness, transparency and accountability of the executive branch, the fight against corruption, decentralization of the state administration, and development of local self-governance.

Secondly, within that context, the improvement of the voting legislation, an expansion of the powers of the Parliament, the evolution of the judicial system in compliance with the best international standards, with the independence of judges to be a cornerstone of that process.

The President outlined his view that there should be more active participation of the **political parties** in the political life of the country, and an increased involvement of **non-governmental organizations** in public life, underpinned by certain guarantee of citizens' rights and liberties.

President Nazarbayev, who himself chaired the meetings of the State Commission on democratization for two years, announced that the major outcome of the Commission's activity was practical proposals on the key directions of political modernization. "These proposals", he said "are the result of team work, taking into consideration the opinions of major social and political forces in the country."

He announced that the Working Group within the State Commission, had now prepared a **draft law "On the introduction of changes and addenda to the Constitution of the Republic of Kazakhstan"**, which the President formally submitted to the Joint Session of the Chambers of Parliament.

The draft law, he explained, contained amendments to the Constitution, whereby Kazakhstan will remain a presidential republic, but with a considerable widening of the power for the Parliament.

The following is a summary of the changes proposed by the President:

- **To reduce the period of the presidential incumbency from a 7-year to a 5-year term**, to come into effect after 2012;
- To change to the proportional electoral system of voting for the Majilis, lower Chamber, deputies (but not the senators), **whereby Majilis will be elected on political parties basis**;

- To increase the number of senators by increasing the presidential quota, from 7 to 15. Part of them will be assigned, following the respective consultations with the Assembly of the Peoples' of Kazakhstan;
- To give to the Senate the power of consultation on the appointment of a President of the National Bank, thereby underpinning that institution's independence in the sphere of monetary policy.
- **To increase the number of Majilis deputies to 107.** In this way, 98 deputies will be elected by proportional representation and 9 deputies will represent the Assembly of the Peoples' of Kazakhstan. This will take into account the interests of major ethnic groups and lead to further consolidation of the society. The total number of the parliamentary deputies will increase by 38 persons and will amount to 154;
- **To strengthen the powers of political parties** by depriving members of the Majilis of their mandate in the event that they are expelled from their party. Such provisions are not applied to the senators;
- To make the **Government accountable not only to the Head of State, but to the whole Parliament**;
- To enhance parliamentary powers associated with the efficient control of the Government activities;
- To give the Government a vote of no-confidence, it will be sufficient for the Majilis to have a simple majority of deputies' votes compared with the previously required two thirds of votes;
- To simplify the procedure of giving parliamentary vote of no-confidence to an individual minister;
- To change, in compliance with the recommendations of the State Commission on democratization, the procedure of forming the Constitutional Council and the Central Election Commission. It is suggested to form these bodies on a more democratic basis, with equal participation of both Parliamentary Chambers;
- To introduce a change whereby two thirds of the Constitutional Council, the Central Election Commission and Auditing Committee will be formed by the Parliament;
- To change the procedure of forming the Government, where the Prime Minister is to be appointed by the President, so that **the main role to approve the appointment of the Prime Minister, and consequently the entire Government, is delegated to the Majilis**;
- To introduce a change whereby henceforth the composition of the Government shall be formed according to the proposal of the Prime Minister. **The Prime Minister will represent the parliamentary majority party**;
- To abolish the constitutional prohibition of state funding of NGOs;
- To develop a practical procedure for the **partial funding of political parties from the state budget**;
- To reform local government structures, so that **Maslikhats will become the basis for local authorities, as representative bodies elected by local people for resolving local issues**;
- To grant Akims (Regional Governors) the right to carry out local legitimate governance along with carrying out state duties, with the term of office for Maslikhats fixed at five years;
- To create a system whereby the **Akims of regions, large cities and the capital will be appointed after their approval by the respective Maslikhats**;

- To simplify the procedure for Maslikhats' to express no confidence in an Akim. The vote of no confidence in the Akim should be confirmed not by two thirds of Maslikhat's deputies, as it is being done now, but by a simple majority;
- In the judicial system, to abolish the Qualification Chamber of Justice and to transfer its function of selecting candidates to the positions of judges to the Supreme Judicial Council;
- **To upgrade the status of the Assembly of the Peoples' of Kazakhstan from an advisory to a constitutional one**, which enhances representation and the role of different ethnic groups in social and political life;
- Finally, **to abolish the death penalty *de jure* in Kazakhstan.**

With respect to the way in which the Constitution may itself be changed, the President proposed to adopt an amendment to the referendum procedure so that in order to pass a decision, it will be required that the majority of the citizens, who voted, should represent not less than two thirds of regions, large cities and the capital.

The President concluded: "We have been approaching this moment of political changes consistently and gradually. All views and proposals, including the most radical, have been studied and worked on. We consulted with political parties, scientists, experts, with people representing diverse ethnic groups of Kazakhstan. All of them were discussed in mass media in detail."

"Taking into account the intensive preparatory work carried out during the recent years, in which the chairmen of Chambers' committees and deputies of Parliament were involved, and that the draft law submitted by the President contains up to 80% of the State Commission on democratization suggestions, I consider, that it would be possible to consider the draft law "On the introduction of changes and addenda to the Constitution of the Republic of Kazakhstan" during this week."

"I am sure that it is the right time to introduce changes to the Constitution of the Republic of Kazakhstan and to begin a new distinctive stage in the development of our Motherland. I count on the pro-active participation of Parliament in legislative support of the new stage of Kazakhstan's democratization."

The culmination of all above efforts came in May 2007 when a major Constitutional reform was introduced. The gist of the Constitutional amendments is the gradual ceding of powers by the President to the legislature and a thoughtful move towards a parliamentary majority system. The amended Constitution calls for the election of the new, more powerful, political parties based Parliament. The election took place on August 18, 2007 – thus ushering in a principally new phase of political development of Kazakhstan.

*For full text of the President's address, please visit Embassy's web-site:
www.kazakhembus.com*

**17th OSCE PARLIAMENTARY ASSEMBLY SESSION
ASTANA, KAZAKHSTAN
(June 29 – July 3, 2008)**

***Kazakhstan's President promises further democratic reform,
intends to strengthen the OSCE***



As the Chairman-in-Office of the Organization for Security and Cooperation in Europe in 2010, Kazakhstan will contribute to its transformation into a powerful organization able to withstand growing challenges and threats, President Nazarbayev said in his keynote address at the opening of the 17th session of the OSCE Parliamentary Assembly in Astana on June 29.

“Kazakhstan seeks to strengthen the organization as a forum for an equal dialogue, exchange of positive experience and search for efficient decisions. We believe that the forthcoming chairmanship is a good opportunity to give a fresh impetus to the cooperation among the OSCE member states”, President Nazarbayev said.

According to a recent Reuters report (on June 29, by Maria Golovkina), *“addressing the OSCE Parliamentary Assembly in the Caspian state's capital Astana, President Nursultan Nazarbayev reassured the West he was fully committed to democratic change. “We want to be a modern, democratic and prosperous nation,” he told the Assembly, the OSCE's first such meeting in Central Asia. “The potential of Kazakhstan's constitution... allows us to fulfill many very important steps of further democratization”...*

“...many in Kazakhstan credit him with bringing stability after years of post-Soviet chaos and using oil revenues to raise living standards. In his speech, Nazarbayev said a key step would be to create a more democratic parliament with at least two political parties, but gave no hints as to whether he wanted to call a snap parliamentary election to achieve the goal. He also vowed to allow more media freedom, reform electoral law and make it easier for parties to gain state registration.”

Visiting Chairman of the OSCE Parliamentary Assembly, Mr. Goran Lenmarker, took a positive look at the country's chairmanship prospects: “I look forward to Kazakhstan's OSCE chairmanship in 2010 as an opportunity ... to strengthen democracy and openness in this big and important country”.

**Extracts from the statement delivered by
the President of Kazakhstan, Mr. Nursultan Nazarbayev
at the opening of the 17th annual meeting of the OSCE Parliamentary Assembly**

**Dear Mr. Chairman,
Ladies and gentlemen,**

Parliamentary diplomacy plays a key role in maintaining the atmosphere of trust and mutual understanding across the OSCE space.

The work of the Parliamentary Assembly is of great importance for the national parliaments involved in democracy-building and the development of humanitarian and legal standards.

It is parliamentarians that – being elected by the general public – are capable of integrating needs and hopes of the common people into the political ideas promoted by the OSCE.

This is of special importance nowadays, when the global context is growing complicated and unstable.

The context is being defined by the financial, energy, food and environmental crises, repercussions of which are felt by all nations without exception. All this calls for a global solution worked out through as wide as possible international cooperation.

Non-proliferation-based system of global security is close to paralysis. Treaty on Non-Proliferation of Nuclear Weapons is of asymmetric nature: it only imposes sanctions against non-nuclear states and does not encourage members of the nuclear club to reduce their nuclear arsenals or renounce them altogether. This injustice transforms into inobservance of the Treaty.

No less serious trends have been seen in the global economy realm. Significant devaluation of the US Dollar, notably against the currencies of China, Japan and Europe, resulted in weakening of the Dollar's positions as the universal reserve currency.

This makes many players look at the financial mechanisms in a new way and brings the issue of multi-polar financial system into today's agenda. We are aware of Russia's plans to turn the Ruble into the regional reserve currency by 2020. Similar opportunities are being considered in the Arab World, Latin America and South East Asia.

Profound geopolitical changes of recent years have made us understand that there is no such thing as exclusively European security or exclusively Asian security. Instability in any state poses a security threat for the entire Eurasia.

Security issues are at the core of the OSCE efforts. How will the Organization pursue security and stable development for its members? The ultimate answer is yet to be found.

Since gaining its independence, Kazakhstan has been a model nation which contributes significantly into the strengthening of both regional and global security.

An important decision taken at the dawn of the sovereign nation was to close the Semipalatinsk nuclear testing site, renounce the 4th largest nuclear arsenal in the world and dismantle the entire related infrastructure.

Our nation has been an active player in the wide international efforts to promote nuclear disarmament and non-proliferation, fight against international terrorism, religious extremism, drug trafficking and other contemporary threats.

We are fully aware of the serious role we have been playing in the regional and global economic processes. Kazakhstan is a key player in the global system of energy infrastructure; we are among the largest hydrocarbon exporters. This role is bound to grow.

In the context of the global food crises, Kazakhstan – being a leading producer of wheat and flour and capable of significantly expanding crops areas – is a fertile soil for advanced agricultural technologies and new investments.

Thus, Kazakhstan has abundant energy and food resources and is able to increase supplies to global markets in return for large-scale investments and best European technology. Such cooperation will be beneficial for all parties involved and will bring the global prices down.

We are ready to work closely with the international community along the “resources in return for technology and investments” formula.

According to the World Bank, we are among the top 20 countries most attractive for investors. For the last 8 years our annual average GDP growth stood at 10%. The amount of our gold and currency reserves exceeded \$50 billion. During the years of independence, Kazakhstan has attracted around \$100 billion of FDI, which is about 80 percent of the overall FDI accommodated by the entire Central Asia. In recent years our nation itself has turned into an active investor: our investments, including into the economies of neighboring states, total \$4.5 billion.

High growth rates enabled us to double our economy by 2007 against 2000 and we plan to triple it by 2015 [against 2000].

Relying on these successes, Kazakhstan has set the goal of entering the club of 50 most competitive nations in the world. We seek to diversify the national economy based on an innovation-driven industrialization model.

Kazakhstan has been pursuing a multi-vector foreign policy. And this is not a simple thing to do. Napoleon once said that “the policy of a state lies in its geography”.

Our strategy rests on Kazakhstan’s geography. The Almighty placed us in the heart of Eurasia. We share an extended border with China (1700 km), and even longer border with Russia (7.5 thousand km); not far southwards there is a ‘boiling’ Islamic world, including such countries as Afghanistan, Pakistan, Iran and Iraq.

Westwards there is the Caspian Sea holding world’s second largest oil and gas reserves. It is important that the Caspian basin should be the region of stability so that its resources could ensure prosperity of the Caspian littoral states and enable them to supply even more hydrocarbons to the world markets.

We are located at the crossroads important in terms of geopolitics, geoeconomy and transit. We are a moderate-size nation; there are just 16 million of us. But we are eager to be a modern, democratic and prospering nation. And we always appreciate a kind advice of our friends.

To achieve the goals that we set for ourselves, we are working hard to create a non-resource based economy.

To enhance security in the region, we have together established the Conference for Interaction and Confidence-building Measures in Asia, an Asian analogue of the OSCE; Shanghai Cooperation Organization; Eurasian Economic Community. Kazakhstan has been rendering active support to these organizations. Establishment of the Union of Central Asian States, an economic integration to guarantee stability and further development of the region, is also of great importance to us.

Our major vector is to put in place modern systems of education, healthcare and social security by leveraging recent economic growth.

An adjacent set of issues is that of protection of human rights of all the citizens and individual social groups. True equality of rights and accord among all the ethnic and religious groups are our key values.

Kazakhstan is home to over 130 ethnic groups representing 46 religious confessions. At the dawn of independence many analysts forecasted chaos and civil wars. Thank God, we have avoided that.

Our nation has been successfully putting into practice a unique model of dialogue among diverse cultures and religions. It is a critical component of our moving towards democracy.

Starting from 2003 Astana has been one of the centers of global interfaith dialogue through hosting the Congress of World Religions. This forum facilitates mutual understanding and partnership among nations. Next year Astana plans to host the 3rd Congress.

We have put forward an initiative to establish dialogue between the West and the Islamic World. I can testify the initiative is of great interest to the Organization of the Islamic Conference (OIC). I hope it will be properly appreciated in Europe.

By the way, OIC member countries have chosen Kazakhstan to host its next conference in 2011.

Dear ladies and gentlemen!

Having been elected to chair the OSCE, Kazakhstan seeks to strengthen the Organization as a forum for an equal dialogue, exchange of positive experience and search for effective solutions. Against the backdrop of growing challenges and threats, we speak in favor of turning the OSCE into a powerful organization.

Despite current disputes, the OSCE potential defined 33 years ago in Helsinki remains solid.

We speak in favor of transforming the OSCE efforts with due consideration of interests of all its members. We believe that the forthcoming chairmanship is a good opportunity to give a fresh impetus to the cooperation among the OSCE member states

We intend to highlight solutions to important security issues, efforts to foster inter-culture and interfaith dialogue, efforts to bridge new gaps in Europe, search for factors to unite the Euro-Atlantic and Eurasian areas of the Organization's activity.

We will be rendering every possible support to the OSCE efforts to eradicate racism, intolerance and discrimination. We expect Kazakhstan's chairmanship in the Organization to facilitate bringing solutions to problems in Central Asia, boosting the region's cooperation with Europe and assisting in joint efforts in Afghanistan.

Europe and Asia are a single subcontinent interlaced with multiple historic and economic ties. We cannot meet the current challenges and provide security without joining our efforts. I believe that following in the steps of the European Union we will come one day to creating the Eurasian Union. This is what is required for prosperity of Eurasia, our common large continent.

The decision to elect Kazakhstan to the OSCE chairmanship in 2010 has led us to developing a special program "Road to Europe". The program reflects our interest in a wider interaction with European countries in energy, transport transit, technology transfer, education, humanitarian cooperation.

By all means, an important component of the program and of strategic plan of the nation's development is the enhancement of institutional capabilities of Kazakhstan.

Our understanding of democratic processes rests on two major points. First of all, on a number of fundamental/universal principles. And secondly, on national and cultural features which must be taken into account when adhering to the universal principles.

Kazakhstan's way to democracy is a realistic scenario that seeks to effectively meet the goal.

The potential of Kazakhstan's Constitution – which is based on the modern democratic model – enables us to take some very serious steps to democratize the society.

First of all, it is the creation of a legal mechanism to form a parliament comprising at least two political parties.

Secondly, it is the creation of more favorable conditions for state registration of political parties.

At the same time we have to keep in mind that the creation of parties should be in line with the nation's Constitution.

Thirdly, it is the improvement of election procedures.

Fourthly, we need to remove the excessive bureaucratic barriers in regulation of the country's mass media. Nevertheless, the state should make sure that the media do not violate human rights, do not threaten the nation's security or undermine interfaith and interethnic tolerance.

I hope these principles and suggestions will be considered by our Parliament.

Kazakh leader vows reform before taking OSCE chair

(Reuters)

Kazakhstan's president promised the West on Sunday his country would pursue democratic change before its chairmanship of Europe's main human rights watchdog in 2010.

Oil-rich Kazakhstan, key to Europe's efforts to diversify its energy supplies, won approval last year to take over the rotating annual chairmanship of the Organisation for Security and Co-operation in Europe (OSCE).

The ex-Soviet nation's opposition has since criticised Kazakhstan, which has never held an election judged free and fair by OSCE monitors, of backsliding on its democracy pledges.

Addressing the OSCE Parliamentary Assembly in the Caspian state's capital Astana, President Nursultan Nazarbayev reassured the West he was fully committed to democratic change.

"We want to be a modern, democratic and prosperous nation," he told the Assembly, the OSCE's first such meeting in Central Asia. "The potential of Kazakhstan's constitution... allows us to fulfil many very important steps of further democratisation."

Nazarbayev has tolerated little dissent since he came to power in 1989. Last year, the OSCE described a Kazakh parliamentary poll, in which a pro-Nazarbayev party won all seats in the lower house, as being below required standards.

But many in Kazakhstan credit him with bringing stability after years of post-Soviet chaos and using oil revenues to raise living standards.

In his speech, Nazarbayev said a key step would be to create a more democratic parliament with at least two political parties, but gave no hints as to whether he wanted to call a snap parliamentary election to achieve the goal.

He also vowed to allow more media freedom, reform electoral law and make it easier for parties to gain state registration. However, laying out principles of Kazakhstan's future work at the OSCE, he focused more on security than human rights.

Kazakhstan, Central Asia's top oil producer and the world's fifth grain exporter, offers Europe a new source of energy as it seeks to diversify its energy supplies away from Russia.

Its efforts to foster closer ties with Europe have irritated Russia, which sees Kazakhstan -- a thinly populated nation roughly the size of Western Europe itself -- as part of its traditional sphere of interest.

"We would love to move ourselves to Europe altogether but you don't have enough room for us there," Nazarbayev jokingly told the assembly, triggering laughter. He added more seriously: "We have resources. You have the technology and investment. This kind of cooperation will benefit everyone."

OSCE officials made no judgement on Kazakhstan's efforts.

"We are confident that Kazakhstan will continue to work toward meeting the commitments outlined by Kazakhstan ... in good faith and in a transparent and inclusive manner," said Goran Lenmarker, president of the OSCE Parliamentary Assembly.

OSCE parliamentary assembly begins in Kazakhstan (Xinhua, China)

The Organization for Security and Cooperation in Europe (OSCE) began its 17th annual parliamentary meeting Sunday in the Kazakh capital Astana, reports reaching here said.

Goran Lenmarker, president of the OSCE Parliamentary Assembly, appealed to host country Kazakhstan to help promote democracy in neighboring Afghanistan.

In his speech, Kazakhstan's President Nursultan Nazarbayev expressed his hope that his country would be able to expand mutually beneficial economic cooperation with the rest of the world.

He said Kazakhstan is rich in energy resources and as the world's leading grain producers. If it had access to large-scale investment and advanced technologies, the country could help bring down the soaring prices of oil and food in the world market.

Kazakhstan joined the OSCE in 1992 and will take over the rotating chairmanship of the group in 2010.

**THE DEMOCRATIC “SAFETY VALVE”
OR
“THE PRESIDENT FOR LIFE” MYTH**

In May 2007 President Nazarbayev announced a series of important political reforms designed to take to the next stage Kazakhstan’s unique experiment to establish a genuine democracy and civil society. Among his proposals was judicial reform, the reduction of the presidential term from seven to five years, increasing the powers of Parliament so that the Government would be accountable to it, introducing proportional representation to elect members of the Majilis (Lower House) and establishing a party-based parliamentary system.

Although the President’s announcement was greeted positively in the United States and Europe, the coverage in the Western media has been almost wholly negative, focusing on the decision by the Majilis to grant President Nazarbayev the right to stand as a candidate for the presidency for a third time when his term of office expires in 2012. The gist of the media comment is that this is yet another example of the “authoritarian” Nazarbayev centralizing power around himself and his family. It was widely reported, quite incorrectly, that he has arranged for the Majilis to vote him “President for life”.

The truth, however, is different and should be properly understood. First, we should be clear about what the Majilis voted for. Under the Constitution of the Republic of Kazakhstan, the maximum number of presidential terms to which an individual may be elected is two. This rule is the same in the United States. President Nazarbayev is currently serving his second term. The Majilis’ decision to grant Mr. Nazarbayev the right to run for a third term of office did not grant him the presidency “for life”. It permitted him by law to stand for election a third time, and only if he so chose – no more, or less.

Second, this vote was a unanimous decision by the elected Members of Parliament. It was not an executive order from the President. Under the Constitution, President Nazarbayev – indeed, any president – cannot refuse Parliament’s unanimous decision under any circumstances, whether he supports the proposal or not.

Third, the Majilis took their decision in the light of the unique set of circumstances facing the country, granting a privilege - certainly – but also imposing an onerous duty upon a single individual whose role in the founding of the State of Kazakhstan has been pivotal. This is not an example of an autocratic leader propping up his power. It is the behavior of an increasingly stable and prosperous society seeking to bolster one of the main anchors upon which the security and welfare of millions depend.

The key to understanding what the Majilis voted for lies in understanding Kazakhstan's quest for stability. As any informed observer of events in the former Soviet Union will acknowledge, ill-considered or overhasty experiments with democracy have unleashed centrifugal forces that have been deeply harmful. The result has been economic failure, inter-ethnic discord and, in some cases, a reversal of the very freedoms that democratic reform was supposed to bring about.

Kazakhstan, with its vast territory and small but hugely diverse population, has a once-in-a-lifetime opportunity to build a viable and prosperous state. It cannot afford to play with experiments that will not succeed.

For this reason, the Majilis' decision to grant President Nazarbayev the unique status of being able to stand for election to a third term of office, if he so chooses, is sensible and pragmatic. In

the short- to medium- term, it is the best guarantee for the stability of the state of Kazakhstan. For the law does not mean that Mr. Nazarbayev will be President for life, or that he may stand for an indeterminate number of times, or even that he might stand unopposed. It simply means that in the run-up to 2012 the President and Kazakh society as a whole will be required to form a judgment about how deeply the democratic reforms have taken root in Kazakh society.

The country will need to decide if the candidates to be Mr Nazarbayev's successor, as well as those who support them, genuinely represent what the French political philosopher Rousseau described as the "general will" of the people. President Nazarbayev's democratically bestowed right to stand for a third term provides, on the one hand, a strong incentive for the political parties to choose strong and effective presidential candidates. On the other hand, it offers the people of Kazakhstan a safety valve should the political parties fail to take this unique opportunity to display their maturity and fitness to govern.

If, as the President sincerely hopes and believes, the institutional reforms are sufficiently entrenched to guarantee a smooth and stable handover to his successor, then the main purpose of his administration will have been achieved.

PARLIAMENTARY ELECTIONS IN KAZAKHSTAN TO LIVE UP TO THE OSCE STANDARDS

Early elections to the Parliament in 2007 were needed to break a constitutional conundrum. Under amendments approved in May 2007, changes in the legislature's authority could not take effect until a fresh body of deputies were elected according to the new proportional party-based system. **According to the new amendments to the Constitution, the President had ceded a significant part of his powers to Parliament, thus starting the process of transition from presidential rule to a presidential-parliamentary system.**

The registration of candidates for the Majilis elections opened on 22nd June and closed on 11 July, 2007. During this period, **7 political parties** have submitted candidate lists which have been registered by the Central Electoral Commission of Kazakhstan (CEC). They are:

- People's Democratic Party "Nur Otan" – 126 candidates;
- All-National Social Democratic Party – 80 candidates;
- Kazakhstan Patriots' Party – 11 candidates;
- "Rukhaniyat" Party – 9 candidates;
- Kazakhstan's Social Democratic Party "Auyl" – 33 candidates;
- People's Communist Party of Kazakhstan – 20 candidates;
- "Ak Zhol" Democratic Party – 98 candidates.

The total number of registered candidates for the Majilis elections was 377 people competing for 98 seats, thus making the elections truly competitive. Of this number, 321 were men and 56 women. The average age of the candidates was 55. 76 of the candidates were representatives of the private sector, 47 were former members of the Majilis, 45 were representatives of national companies and organizations, 41 were representatives of scientific, cultural and educational organizations and 21 were civil servants.

With respect to the Maslikhats, local legislature elections, 9128 candidacies have been submitted and 8744 have been registered by the CEC. There was an average of 2.6 candidates for every seat in the Maslikhats.

The Government of Kazakhstan is making important steps to improve further the electoral process and live up to the OSCE election standards. **Amendments to the constitutional law "On elections in the Republic of Kazakhstan", which have largely incorporated recommendations of the OSCE's Office for Democratic Institutions and Human Rights (ODIHR), were enacted in early summer, 2007.**

On July 16 2007 a "round table" meeting to discuss the election campaign, its legal framework and the basic conditions was held in Astana with representatives of NGOs and international organizations taking an active part in the discussion. The participants unanimously emphasized the need to ensure strict compliance with the electoral legislation by all parties and individuals involved in the election.

In July 2007, the CEC set up two multilateral bodies involving government agencies, the mass media, NGOs and political parties. **The Social Council on Election Disputes and the Appeal Panel** have considered 55 appeals by individuals and organizations – 21 concerning the meaning of electoral legislation, three on violations in electoral campaigning, one on violations committed by the candidates and two on matters not related to the elections.

Full public access to information about the electoral process is regarded as one of the crucial elements of a successful electoral campaign. Therefore, the CEC has launched 42 public information and 10 advertising campaigns on TV channels, as well as 125 articles and publications in newspapers and magazines, and 26 articles in online editions.

The CEC is paying particular attention to **providing equal access to media for all parties participating to the elections**. To achieve this goal, the CEC has paid for equal proportion of airtime for each party on national TV channels and provided equal coverage in national newspapers. Importantly, debates on television will be enhanced and expanded to allow for representatives of all parties to express and explain their political ideas to voters.

Furthermore, the CEC in cooperation with relevant agencies has offered the political parties an opportunity to address voters through the means of e-government web-site, which now offers a special section where parties can present their materials, programmes and relevant news. Every voter can now send his/her question to the leadership of a party via a single web-site - www.e.gov.kz. The campaign, which has been entitled “Your choice is your future”, which is aimed at raising the awareness of voters about the election, is now fully underway.

The CEC has made a major effort to facilitate the work of **national and international observers**. Electoral authorities at all levels have been commissioned to provide observers with all necessary information and local authorities have been tasked to establish workgroups to cooperate with them. The CEC has accredited **1129 foreign observers, including 460 from the OSCE/ODIHR election monitoring team** led by Ambassador Lubomir Kopaj, 64 representatives of the OSCE Parliamentary Assembly, 7 representatives of the Council of Europe’s Parliamentary Assembly, 448 CIS observers, 13 SCO observers, 71 from international organisations and 137 observers from 25 foreign states.

To implement ODIHR’s recommendations on the step-by-step introduction of **electronic voting**, the CEC has approved a list of 1,520 polling stations which will be equipped with the “Saylau” (“Elections”) electronic voting system. The figure represents a 5 per cent overall growth as compared with the presidential elections in 2005.

On 18 July 2007, experts from the “Information and Technical Center” of the CEC held a meeting with Mr. Peter Wolf, the ODIHR expert on electronic voting assigned to monitor the forthcoming elections in Kazakhstan. ODIHR’s election analyst, Mr. Rumen Maleyev, and ODIHR’s advisor on elections, Mr. Jonathan Stonestreet, also participated in the meeting. Its main aim was to demonstrate the “Saylau” system to the OSCE election monitoring mission, who started their official mission in Kazakhstan on 16 July. The “Saylau” operates in full compliance with national election legislation, international commitments of the OSCE member states and the standards of the ODIHR.

Thorough work has been carried out not only to avoid mistakes in the current campaign but also to punish those responsible for mistakes in the previous campaign. Following complaints from individuals and organizations since the presidential elections in 2005, about 300 officials have been called to account. 19 local akims (governors) and 3 city mayors have incurred administrative punishment, 4 akims have been relieved of their posts, 1 akim has been denoted, and 8 chairpersons of electoral commissions have been dismissed.

ELECTIONS TO A NEW, PARTY-BASED PARLIAMENT IN KAZAKHSTAN PROVIDE LANDSLIDE VICTORY FOR “NUR OTAN”

On Saturday, 18 August, 2007 landmark parliamentary elections opening way for a new, more powerful and influential legislature were held in Kazakhstan.

According to the preliminary report of the **Central Electoral Commission (CEC)**, the ruling “Nur Otan” party emerged victorious from the elections, winning 88.05% of the vote. However, this figure is still to be revised after the CEC completes the counting of all election protocols.

Preliminary results suggest that “**Nur Otan**” could be the only party to have passed the 7 per cent threshold set by the existing election legislation. According to CEC’s data, 5,174,169 people have cast their votes for “**Nur Otan**”, i.e. **88.05 per cent**; 271,525 voters (**4.62 per cent**) have voted for the **Nationwide Social Democratic Party**; 44,175 voters (**0.75 per cent**) have chosen the **Party of Patriots**; 192,155 voters (**3.27 per cent**) have voiced their support for the “**Ak Zhol**” party; 77,274 people (**1.31 per cent**) have cast their votes for the **Communist People’s Party of Kazakhstan**; 93,023 (**1.58 per cent**) have voted for the “**Auyl**” party; and 24,308 (**0.41 per cent**) for the “**Rukhaniyat**” party.

“At every election, there are winners and losers, but this time, I believe, all Kazakhstanis have won,” President Nursultan Nazarbayev said in the capital Astana while giving his comments on Nur Otan’s victory.

“Unfortunately other parties were not able to pass the 7 per cent barrier,” President Nazarbayev said. “But we won’t make this result into tragedy. Efficiency of the parliament will not suffer, I am sure. We are going to take into account constructive proposals of the opposition, which have been voiced in the course of the election campaign; we will accommodate interests of our citizens who voted in favour of other parties”.

Shocking defeat of the opposition prompted early criticism on behalf of a number of foreign officials and journalists. **Ambassador Lubomir Kopaj, who heads the long-term election observation mission of the OSCE Office for Democratic Institutions and Human Rights**, said the results showed Kazakhstan still needs to improve further its election process. “I have never seen a democratic country with one political party in Parliament,” he mentioned at a press conference in Astana.

However, **the OSCE mission** in general seemed to be rather positive in its preliminary report: “The 18 August 2007 elections for the *Majilis* (lower house) of the Parliament of the Republic of Kazakhstan took place soon after major amendments to the Constitution and the Election Law, including the introduction of a new election system based on proportional representation. **While these elections reflected welcome progress in the pre-election process and during the conduct of the vote, a number of OSCE commitments and Council of Europe standards were not met, in particular with regard to elements of the new legal framework and to the vote count.**”

“There was an increased ability for political parties to convey their messages to voters, including through the media, and the central election administration worked transparently. However, a number of the new legal provisions conflict with OSCE commitments. On election day, the voting was assessed in positive terms; however, the process deteriorated during the counting of the votes,” the OSCE report reads.

Senator Consiglio Di Nino of Canada, Special Coordinator of the OSCE short-term observers and Head of the OSCE Parliamentary Assembly delegation, also believes that Kazakh democracy's glass is half-full: **"A campaign environment was certainly, clearly a step forward. Parties were generally free to make their views known to the voters in an open atmosphere like in the television debates. The collaboration from the Central Electoral Commission was very good. On voting day there was an almost unanimous agreement among the observers in their positive evaluation of the voting procedures. They praised the professionalism of the officials and the elections were very well-organised,"** he said at a press conference in Astana.

"This positive assessment (from the international observers mission), the first that our country has received, shows that Kazakhstan is moving in the right direction in its political reforms," President Nazarbayev said.

The United States is one of Kazakhstan's major partners in its democracy-building efforts, and American reaction to the elections clearly shows that the Central Asian country is consistently moving towards fulfilling its democratization promise. As **Mr. Gonzalo Gallegos, Director of State Department's Office of Press Relations**, stressed at a briefing in Washington DC **"we take note of Kazakhstan's commitment to improve the election process and the central election committee's work to increase the transparency and integrity of the elections"**.

He went on to cite some **remaining difficulties**, including **"legal provisions such as high threshold of seven per cent for party representation in the parliament, the process by which victorious parties chose deputies from their list and the fact that an unelected body appoints nine of the 107 seats in the lower house of parliament"**.

Nevertheless, **the State Department spokesman seemed to be optimistic** about the ability of Kazakhstan's Government to deliver further progress: **"We hope that the Government of Kazakhstan will address these shortcomings as it continues to reform the elections law and promptly and fairly resolves any complaints and appeals related to violations of that law"**.

The "unelected body" referred to by Mr. Gallegos, is **the Assembly of People of Kazakhstan, which duly represents and promotes the interests of numerous ethnic minorities living in the country**. Kazakhstan is known for providing interethnic peace and harmony in a potentially explosive region, and the Assembly's efficient work is one of the underlying reasons for such a success.

In the situation where an unexpectedly high wave of popular support raised "Nur Otan" to the position of the only party in the parliament, nine representatives of the Assembly have a very important task to fulfil. Apart from pursuing minorities' interests at the official level, **members of non-partisan Assembly should serve as a fraction of civil society embodied in the country's legislature**, thus providing a channel for making the voice of non-partisan groups heard in the parliament.

Reasons for opposition's fiasco

As **US observers, Mr. Daniel Witt and Mr. Douglas Townsend**, mentioned at a meeting with the press in Astana, **"the people of Kazakhstan cast their votes for the President of Kazakhstan in 2005, and yesterday they voted in favour of the party led by Nursultan Nazarbayev"**.

Favourable comments from foreign observers leave no space for doubts that, whatever the remaining difficulties, Nur Otan's victory was genuine and fair and Kazakh voters have made their choice thoughtfully and deliberately.

For instance, **Mr. Rein Mullerson, professor of law from London's Kings College**, called the elections open and fair and **Mr. Nirj Deva, British Member of the European Parliament**, found the progress achieved by Kazakhstan in democracy-building astonishing. "I have seen eight elections in various countries, and I would like to note that transformations of Kazakhstan's political system surprise me much. We regard Kazakhstan as the leader in the Central Asian region. In such a short period of time Kazakhstan has made a significant step towards democracy. The British Parliament was formed 900 years ago. And you have managed to build stable and successfully developing society in 15 years time. I like the way the elections were held in Kazakhstan", Mr. Nirj Deva said.

A resounding defeat of the opposition in the most open and fair elections seen in the country's history **can hardly be explained this time in terms of "pressure" or "falsifications"**. There may have been some other, **deep-lying reasons for their fiasco**.

It is widely believed in Kazakhstan that **the opposition parties have failed to unite and put forward a unique and viable strategy for the country's development**. Nur Otan's victory proved that voters in Kazakhstan prefer a clear "picture" of their future and have made their choice in favour of the balanced and realistic program of "Nur Otan". The political system of Kazakhstan is clearly maturing and the current elections turned out to be a competition of political platforms.

Opposition parties have failed this time. **They have overestimated their clout and their reach to the public**. Election results are a clear signal to them to reinvigorate themselves and mature to be able to represent genuinely the "general will" of the people and to govern.

POLITICAL REFORM AGENDA FOR 2008

- **Amendments to the Plan on the implementation of Kazakhstan’s Civil Society Development Concept for 2006–2011** are being drafted. **International practice, in particular, the Netherland’s experience** of cooperation between NGOs and government agencies (social order mechanism) are taken into account;
By the end of October 2008 Government is to finalize the **reviewed plan on the Concept’s implementation**. The main goal of the plan is to strengthen cooperation between NGOs and government agencies.
- **Judiciary reform package**, providing greater transparency, public access to court hearings, further improvement of Jury trials system introduced in January, 2007. By the end of October, 2008 the reform package will be finalized and submitted to Government.
- By the end of October, 2008 **Amendments to the Law on Political Parties** will be submitted to the Parliament to provide for further development of the party system. Among others, provision **prohibiting one party Parliament is being considered**.
- Consideration of the **Media law drafted by Kazakh NGOs** together with Kazakhstan’s **Congress of Journalists** and the **OSCE Representative for Media Freedom**. The Government together with the OSCE Representative for Media Freedom is working on **reducing the list of “triggers” for prosecution for libeling in the media and excluding the relevant clause from the election legislation**.
Reference: according to the Agency for Informatization and Communications, in the nearest future the number of Internet users in Kazakhstan will increase from 11 to 20 per cent. In Ukraine it is about 11,9 per cent, in Russia - 18–20 per cent, in Kirgizstan 5–6 per cent, in Belorussia – 56,3 per cent (more than in France - 54,7 per cent).
- **Kazakhstan continues its cooperation with ODHIR/OSCE on further reform of its election legislation**. A series of roundtable discussions under the title «Challenges and opportunities for Election Process Participants» is scheduled for 2008. The first discussion was held in Astana on March 28, 2008.
Results: Kazakhstan announced its plans to hold the second roundtable in June, 2008 in Astana to discuss possible incorporation of two hundred and fifty amendments to the Law on Elections proposed by the OSCE, local and international NGOs as well as to draft amendments to the Law in July, 2008, submit the draft for the Government’s consideration in September, 2008 and then submit it to the Majilis in December, 2008. Inter alia, Kazakhstan plans to fix in the Law strict personal responsibility of relevant officials for inaccuracy in the electoral lists.
- Kazakhstan’s Government is looking for the best forms of interaction with opposition. **In November 2007 the Public Chamber**, advisory and consultative body was established in Majilis (Lower Chamber of Parliament) to provide for dialogue among all political forces in Kazakhstan. Its primary goal is to review and debate draft laws, work out relevant recommendations and proposals. **The PC consists of 30 members: recognized public figures, lawyers, NGO and media representatives, prominent opposition leaders, businessmen, scientists;**
- **The Coalition of non-governmental organizations** was established in November, 2007 in Kazakhstan to increase transparency and public control over MPs. Its members are **Kazakhstan’s International Bureau for Human Rights, press freedom foundation “Adil Soz”, the International Helsinki Federation on Human Rights, Almaty Helsinki Committee, public foundation “Charter for Human Rights”, opposition representatives Mr. Zhovtis and Ms. Turmagambetova;**
- **The “Road to Europe” program**, announced in the President’s 2008 “State-of-the-Nation” address, is a clear evidence of the country’s democratic priorities and

commitment to further political modernization. The aim is to accelerate the transition of our country to Western democratic standards and values; to develop continued cooperation with the European partners, including, cooperation on improvement of Kazakhstan's electoral, party and mass media legislation in accordance with OSCE guidelines. Cooperation with EU countries on Kazakhstan's OSCE chairmanship agenda will be a special focus of the program. The draft Presidential decree on implementation of the "Road to Europe" program will be prepared in July 2008;

- Kazakhstan has signed and ratified **35 major documents in the human rights area – International treaties on Civil, Political, Economic, Social and Cultural rights, Conventions of International Labour Organization**. Ratification of optional protocol to the International treaty on Civil and Political rights as well as Optional Protocol to Convention Against Torture is expected this year. Kazakhstan fully supports efforts of office of the High Commissioner for Human Rights;
- **Majilis ratified the UN Convention against Corruption on March 19, 2008.**

**OFFICIAL VISIT OF THE PRESIDENT NURSULTAN NAZARBAYEV
TO THE UNITED STATES
27-29 SEPTEMBER, 2006**

On 27-29 September, 2006 President Nursultan Nazarbayev paid an official visit to Washington, D.C. as the **guest of President George W.Bush** heading a powerful delegation comprising key Government ministers and business leaders.

He held **official meetings with President George W.Bush, Vice-President R.Cheney, US Commerce Secretary Carlos Gutierrez, Energy Secretary Samuel Bodman and Director of the Central Intelligence Agency Michael Hyden**. President George Bush hosted a lunch for President Nursultan Nazarbayev and a joint press-conference at the White House.

An official lunch hosted by Vice-President was attended by members of Administration. During **meeting with members of the Congress** the Co-Chairman of the US-Kazakhstan Inter-Parliamentary Friendship Group Robert Wexler has handed to President Nazarbayev a US flag that was raised over the Capitol in honour of the Kazakhstan leader's visit.

President of Kazakhstan met heads of **US biggest energy companies and world Jewish leaders** during his visit to the USA. On September 28 he **unveiled the Independence Monument** erected in front of Kazakhstan Embassy in Washington. At the meeting organized by the **Nuclear Threat Reduction Initiative fund** President Nursultan Nazarbayev delivered a major speech on a global problem of disarmament.

Bilateral Transport Agreement, Agreements between JSC Temir Zholy and General Electric Company as well as on using Almaty as a transport center of FedEx Company in Central Asia and Memorandum of Understanding between Ministry of Agriculture of Kazakhstan and US Department of Agriculture were signed during the visit. The **official Joint Statement** was released upon the completion of the visit (see below).

President Nursultan Nazarbayev also met with US media during the visit.

**JOINT STATEMENT BETWEEN THE UNITED STATES OF AMERICA
AND THE REPUBLIC OF KAZAKHSTAN
(SEPTEMBER 29, 2006)**

We express satisfaction with the progress the United States and Kazakhstan have made in **advancing our strategic partnership** and declare our commitment to a shared vision of stability, prosperity, and democratic reform in Central Asia and the broader region.

We affirm our commitment to advancing that vision through an increasingly dynamic and varied partnership that advances our global and regional objectives. We will deepen our cooperation in fighting international terrorism and the proliferation of weapons of mass destruction. We will strengthen our cooperation to enhance regional security and economic integration and the reconstruction of Afghanistan and Iraq. We will expand our joint activities to ensure the development of energy resources, while supporting economic diversification and reform, market principles, and the development of small- and medium-size enterprises. We recognize that peaceful democratization invests citizens in the future of their nation. Developing democratic institutions is therefore the crucial condition of long-term stability.

The United States and Kazakhstan reaffirm the importance of democratic development and are committed to accelerating Kazakhstan's efforts to strengthen representative institutions that further invest its citizens in the political process, such as an independent media, local self-government, and elections deemed free and fair by international standards. We note that our two governments are signatories to international human rights covenants and our common membership in organizations whose goal is to support democracy and human rights, including the Organization for Security and Cooperation in Europe. The United States supports efforts to promote democracy, strengthen religious freedoms, and bolster civil society in Kazakhstan.

With the full participation of all political parties and non-governmental organizations, the United States supports the activity of the State Commission to develop a program of democratic reforms. Kazakhstan supports the assistance of American and other international non-governmental organizations promoting these objectives and will take the necessary steps to facilitate their legal functioning.

The United States commends Kazakhstan's traditions of religious tolerance and its efforts to promote inter-ethnic harmony and cooperation. We welcome the initiatives Kazakhstan has taken internationally to promote mutual understanding and strengthen religious freedoms, such as the Congress of Leaders of World and Traditional Religions, as well as initiatives to promote peace, such as the Conference on Interaction and Confidence-Building Measures in Asia. These initiatives bring important contributions to inter-religious and interethnic tolerance, as well as international security and conflict resolution. We commit to deepening our cooperation to help ensure mutual understanding and security in the world.

The United States recognizes **Kazakhstan's leadership and commends its efforts in preventing the proliferation of weapons of mass destruction thus enhancing global security.** Kazakhstan was the first country to voluntarily renounce its nuclear weapons after the break up of the former Soviet Union and also closed its nuclear test site. This example reflects our shared commitment to threat reduction and nonproliferation remains a cornerstone of our joint effort to ensure global and regional security. We welcome new agreements to down blend highly enriched uranium in Kazakhstan and Kazakhstan's strong policy of strengthening the regime of nuclear nonproliferation as concrete steps in support of the recently launched *Global Initiative to Combat Nuclear Terrorism*.

The United States and Kazakhstan are steadfast partners in the international war on terrorism. The United States is grateful to Kazakhstan for its unwavering commitment to strengthening stability in Afghanistan and Iraq. We commit to further strengthening the excellent cooperation already achieved by our two countries, and confirm the determination to strengthen our close cooperation in the fight against international terrorism and illegal trafficking in drugs, persons and dangerous weapons.

We commit to further cooperation between our armed forces in counterterrorism and peacekeeping operations, both bilaterally and through NATO's Partnership for Peace Program.

We commend our energy partnership which has helped move Kazakhstan into the ranks of the world's leading reliable suppliers of hydrocarbon reserves. The United States welcomes Kazakhstan's recent accession to the Baku-Tbilisi-Ceyhan pipeline which has made a valuable contribution to this important multilateral project. Our energy partnership will promote the participation of U.S. companies in exploring the reserves of Kazakhstan, as well as in the development of nuclear energy. Our nations pledge to enhance common efforts to expand global energy supplies and will seek new means to deliver those resources to the international market.

We share a commitment to economic diversification across a range of industries and sectors. Recognizing Kazakhstan's macroeconomic reforms and impressive economic successes, the United States will continue to assist in Kazakhstan's transformation into a strong, economically developed country. Both sides view liberalization and diversification of the economy as a key to sustained growth. **The United States supports Kazakhstan's plan to join the world's fifty most competitive nations consistent with the strategy outlined by President Nursultan Nazarbayev.** Strengthening the rule of law, taking steps to improve Kazakhstan's investment climate, and reducing business risk will contribute to that shared goal. We pledge our support for efforts under the Extractive Industries Transparency Initiative (EITI) to ensure that companies in the petroleum and mining industries observe international standards of transparency and accountability.

The United States supports Kazakhstan's membership in the World Trade Organization and welcomes Kazakhstan's efforts to prepare for membership, recognizing that a market access

agreement will enhance free trade and contribute to the continuing modernization of Kazakhstan's economy. The United States will send a team of experts to Kazakhstan in the coming months to continue this joint work. Both sides pledge to facilitate Kazakhstan's graduation under the Jackson-Vanik Amendment.

In order to strengthen friendship between our peoples, **we intend to expand our cultural and humanitarian cooperation, including exchanges of students.** We also intend to strengthen scientific and technical cooperation between researchers and students at universities, research institutes, and in the private sector.

The United States supports Kazakhstan's leadership in regional integration efforts including its significant investment throughout Eurasia and in Afghanistan. We declare our common commitment to strengthen the independence, sovereignty and security of, and to develop democratic institutions in, the countries of the region, ensuring their sustainable development and prosperity. We pledge to support legal trade by improving border crossings and customs procedures, the implementation of transportation and infrastructure projects, and the use of cross-border resources.

Confirming our commitment to this shared view to implementing the agreements achieved today, we declare our intention to further strengthen our strategic partnership through **enhanced strategic dialogues on energy, military cooperation, trade and investment, and democratization.** We express firm confidence that an enhanced strategic partnership between our countries will promote security and prosperity and foster democracy in the 21st Century.

KAZAKHSTAN: FIRST SIXTEEN YEARS OF INDEPENDENT EXISTENCE

- Fifteen years have passed since Kazakhstan declared its independence on December 16, 1991. At the end of the 20th century Kazakhstan has got a chance to become an equal partner within the family of independent nations of the world. The 16-year period of independent development proved that the chance was not wasted at all; the evidences of that are the country's achievements in all areas of development of the state, society and economy.
- **Kazakhstan is pursuing a strategic policy aimed at ensuring a staged democratization of all the fields of social and political life.** In a short span of time a transfer from one-party dictatorship to a multi-party system and pluralism has been conducted. The indicators of the true democratization processes are the promotion of the citizens' rights and liberties, development of independent mass media, formation of the civil society's institutions.
- The results of the 15-year independent state development in the economic field are also remarkable. **Liberal economy with advanced market-based infrastructure** and one of the most progressive among the post-Soviet countries financial and economic system with stable national currency, tenge, have been created. Kazakhstan has a favourable investment climate. It is experiencing the growth of domestic production and development of up-to-date information technologies.
- **The social sphere** has made transfer from the ideology of state paternalism to a well-thought people-oriented social policy. A national education model is being formed and developed. Acquisition of independent statehood gave a stimulus to development of cultural and historic heritage of all ethnic groups living in Kazakhstan. The society maintains political stability and **inter-ethnic** harmony. The Assembly of Peoples of Kazakhstan - a unique body in the post-Soviet area representing the interests of all the ethnic groups living in Kazakhstan was established to deal with the inter-ethnic policy issues.
- A doubtless achievement in the military and political field for the 16-year period of independence is the **formation of the Armed Forces**, reliable guarantor of the national security and territorial integrity of the state.
- In its **foreign policy** Kazakhstan has had significant achievements too. In a short span of time Kazakhstan Government have ensured the country's smooth integration into the world community. Meeting the aspirations of Kazakhstani people and contributing to global and regional security, President of Kazakhstan closed Semipalatinsk nuclear testing ground, obtained nuclear-free state status for Kazakhstan, as well as security guarantees from the nuclear states.

Kazakhstan has gained international prestige, recognition and respect for its commitment to further promote internal economic and democratic development and contribute to global and regional stability and cooperation.

KAZAKHSTAN – POLITICAL STRUCTURE

Reformation period of Kazakhstan's political system began immediately after becoming independent. Transition to democracy commenced under the difficult conditions:

- The country was experiencing social and economic crisis resulted in industrial recession, hyperinflation (up to 3000%), and drastic decline in living standards.
- The basis for market-based economy, one of the principal economic prerequisites for democratization, was non-existent.
- In the wake of the USSR collapse the former Soviet states have been experiencing aggravation of their foreign relations.

- There was no political pluralism, multi-party system, independent mass media, NGOs in the country.
- There were no historically evolved democratic traditions and democratic institutions.

This was the context in which the new political system has started to be developed in Kazakhstan. It went through three stages:

- During the first stage (1990 – 1993) the principal goal was to dismantle the previous political structure: the Soviet control system and the Communist Party’s political monopoly. This stage saw the formation of the basics of the parliament-president political structure.
- During the second stage (1993 – 1995) a new model of Kazakhstan’s political system has been selected. The model was to reflect the political, economic, social and cultural, psychological, geopolitical and ethnic specificities of the country. The changes in the political structure were initiated in the first Constitution in 1993. A principle of separation of powers was fixed therein: the executive and judicial bodies were defined for the first time as independent branches of the government. The first alternative elections to the Parliament were held; new local government bodies – maslikhats – were elected.
- The third stage (1995 – 1998) brought further the evolution of the political structure – the core of which was the adoption through 1995 Referendum of the new Constitution and the election of a professional bicameral Parliament.

The current development stage (since September 1998) is characterized by further intensification and promotion of democratic principles in the political system of the country. It began with promulgation in autumn 1998 of the President’s message on Democratization Programme, amendments to the 1995 Constitution and other legislative acts expanding the Parliament’s powers.

A major commitment to further political reform came **in 2005 in the wake of the country’s steady economic success and robust growth**. In February 2005 State-of-the-Nation Address and September 2005 Address to the joint session of both Houses of the Kazakh Parliament the President has spelled out **a comprehensive programme of further political reform**.

The programme places a special focus on such issues as **the enhanced role of the Parliament, nurturing of political parties and civil society institutions, building genuinely free media sector, efficient, fair and transparent judiciary system and institutions supporting the rule of law, developing and enhancing the traditions and culture of good and efficient local governance, including elections of local governors etc.**

These issues have been widely and meticulously debated in the society **under the auspices of the State Democracy Commission** purposely established in 2006 and composed of representatives of government, legislature, political parties, NGOs and media.

The State Democracy Commission came up with **a comprehensive summary of the extensive public democracy debate at the end of 2006** and the above key elements of the broad political reform programme **will be put in place in two phases between 2006 and 2011**.

Addressing the Parliament in September 2005 President Nazarbayev acknowledged **challenges Kazakhstan would face as it moves toward greater democracy, and confirmed his strong commitment to walk this path to its end**: “Indeed, we do not have established democratic traditions, and we will move forward through trials and mistakes. This will not be an easy path. We know that. We must carry out these complex historical changes in the hope that we will bring the people of Kazakhstan even closer together for the sake of our common future.”

The commitment to a persistent political reform was **reinforced by President Nursultan Nazarbayev on 28 February 2007 in his annual State-of-the-Nation Address**. He stressed that modernizing the political system will ensure political stability for the future (for more see p.20).

Further democratization is being encouraged in Kazakhstan: the new independent institution of Ombudsman on human rights set up in 2002 is further enhanced; State Commission on Democracy set up in 2006 provided a forum for dialogue on further democratisation (comprised authorities, MPs, leaders of all political parties, representatives of NGOs and media).

It has concluded its work in early 2007 and produced a series of major recommendations in such key areas as enhancing the role of the Parliament, political parties, civil society, local governance, media in the country. An Ad Hoc Working Group of highly respected independent experts has been set up to produce recommendations on amending the Constitution.

On May 21, 2007 the President of the Republic of Kazakhstan signed a Law amending the Constitution. These changes are based on the proposals of the State Commission on Democratization and **enlarge the powers of the Parliament, raise the role of political parties, thus transforming Kazakhstan from presidential into presidential-parliamentary republic.**

Kazakhstan has entered a new stage of its socio-political development and modernisation. The Constitutional reform is of historic value and aims to ensure further progressive development towards giving more extensive and real content to the notion of democracy.

The main provisions of the constitutional reform can be summarised as follows.

Firstly, **a more effective and balanced system of checks and balances is being formed, in the form of powers and responsibility between the branches of power alongside the strengthening of the Parliament role.**

Secondly, **a wider participation on the part of the society in the management process is guaranteed through the strengthening of the political parties' role.**

Thirdly, **new opportunities to form democratic institutions and the new democratic culture are created.**

Fourthly, **the independence and effectiveness of the judiciary is strengthened, the volume of guarantees to protect constitutional human rights and freedoms is widened.**

On August 18, 2007 the early elections to the Parliament took place as per the amended Constitution. **This was the first election to the new, completely party based Parliament thus signalling the gradual move of Kazakhstan from a strong Presidential form of rule towards the parliamentary majority system.**

Republic of Kazakhstan – as per its 1995 Constitution (amended in 1998 and 2007) is a **democratic, secular, law-abiding and social state the supreme values of which are an individual, his life, rights and freedoms.** Kazakhstan is the unitary state with the presidential form of power. The State power is uniform, and carried out on the basis of the Constitution and laws according to a principle of its division into legislative, executive and judicial branches and interaction between them with the use of the system of compromises and counter-balances.

Basic principles of the activity of Kazakhstan as a state are public consent and political stability, economic development for the sake of all people, Kazakhstani patriotism, resolution of the most important issues of the state and public life by democratic methods, including voting on a republican referendum or in Parliament.

Kazakhstan admits the ideological and political pluralism. The merger of public and state institutions, creation of the units of political parties in state structures is illegal, intervention of the state into the affairs of public associations, placing of functions of the state onto public associations, state financing of public associations is also not allowed.

President of the Republic of Kazakhstan is the Head of the state, its supreme official, who determines the basic guidelines of the internal and foreign policy of the state and represents Kazakhstan inside the country and in the international relations.

On January 10, 1999 on an alternative basis Nursultan Nazarbayev was elected the President of the Republic of Kazakhstan for the first seven-year term, having received 79,78% of voices of voters (4 candidates for the Presidency).

On December 4, 2005 Nursultan Nazarbayev was re-elected for the second term in the office having contested **with 4 other candidates (two being major opposition leaders) at the election with almost 80% electors turn-out.**

The Parliament of the Republic of Kazakhstan is the supreme representative body of the Republic which carries out supreme legislative functions. It consists of two Chambers - the Senate (47 seats – where 32 seats are taken by 2 members from each electoral region (14 regions, cities Astana and Almaty) and 15 members represent the President of the Republic of Kazakhstan) and Majilis (107 seats of which 98 are filled on the basis of party lists under the system of the proportional representation with the whole area of the Republic of Kazakhstan considered as a single national electoral district. 9 deputies of the Majilis are elected by the Assembly of Nations of Kazakhstan). The elections to the lower chamber (Majilis) are carried out by direct, secret and universal suffrage and in upper chamber (Senate) - indirect ballot. A legal term of the Senate is 6 years, Majilis - 5 years.

The Government carries out executive authority of the Republic of Kazakhstan, heads the system of executive structures. The Chief executive of the Republic is the Prime-Minister who heads the Government of the Republic which is responsible before the President and is accountable to the Parliament.

With a view of maintenance of the strict observance of the Constitution of the Republic of Kazakhstan the **Constitutional Council** is created.

The Supreme Court - the supreme independent judicial body of the Republic on civil, criminal and economical cases.

Electoral system has been reformed. The new Election Law has been signed by President of Kazakhstan Nursultan Nazarbayev on 15 April, 2004, (was further amended and perfected in autumn of 2005). The reforms take into account international and OSCE standards in elections. The signing took place after prolonged and at times dramatic public debate with active participation of political parties and non-governmental organizations. Participants in the discussions included international groups such as the Organization for Security and Cooperation in Europe (OSCE) and the US-based National Democratic Institute and International Republican Institute.

Under the new law, electoral commissions are being **elected** by maslikhats (local elected assemblies) based on proposals from all political parties. Representatives of candidates, political parties, NGOs as well as of foreign/international bodies and organizations are able to observe the entire process, from the beginning of campaign to the end of vote count. Among many other innovations are the introduction of transparent ballot boxes, and a provision for future introduction of electronic voting.

The law established a new framework for people to freely express their political opinions in the parliamentary elections in 2004 and the presidential one in 2005, and on into the future. Under the new Election law foreign representatives are given unimpeded access to all stages of the electoral process as observers.

On June 21st 2007 the renewed Constitutional Law “On elections in the Republic of Kazakhstan” entered into force, introducing reforms unprecedented in Kazakhstan and the entire region. A proportional representation system for election into Majlis is introduced. Concurrently, to foster further development of the societal consensus and to ensure ethnic groups representation in the highest legislative body of the country and further consolidation of the multiethnic society, the Assembly of the People of Kazakhstan gained the status of the constitutional body together with the fixed quota of seats - 9 mandates in the lower chamber of the Parliament. The transition to the procedure by which the Government is formed by the

parliamentary majority party has been completed. Depending on the outcome of the elections, partial state funding of political parties is introduced. From now on the maslikhats become the basis of local self-government, which maslikhats may be delegated state powers, according to the special law.

A number of ODIHR recommendations and suggestions have been implemented, from the ODIHR/OSCE Final reports on observing the Majlis elections in 2007, Presidential elections in 2005 and the Evaluation by the Constitutional Law Bureau of the Republic of Kazakhstan, “On the elections in the Republic of Kazakhstan”.

Today it is widely acknowledged that our country has accomplished a lot on its way to a free and independent Kazakhstan. This has become possible due to the internal political stability, persistent economic and democratic reforms and the recognition and support of the world community. Kazakhstan has crossed the threshold of the third millennium being dedicated to the values and principles of democracy. The country has set up the basic social and economic conditions for further development of democratic processes.

US Secretary of State Condoleezza Rice spoke during her visit to Astana in October 2005: “Kazakhstan has a leading position in the region, a leading position in international security and economic development. Kazakhstan is an island of stability in the Central Asian region and a key partner in strengthening stability and security ... Kazakhstan has an unprecedented opportunity to lead Central Asia to a democratic future ...”

Former U.S. Secretary of State Henry Kissinger on October 15, 2005 in Astana: “Kazakhstan, a country located at the crossroads of great civilizations and a leading supplier of energy to world markets, is playing a very important role both in the region and in the entire world. The country is witnessing significant economic and political progress”.

Vice-President of the United States Richard Cheney stated on May 5, 2006 during a press-conference in Astana: “I have previously expressed my admiration for what has transpired here in Kazakhstan over the past 15 years, both in terms of economic development as well as political development”

Speaking on September 29, 2006 at a White House press-conference after the meeting with visiting President of Kazakhstan Nursultan Nazarbayev **President of the United States George W. Bush** said: “I have watched very carefully the development of this important country from one that was in the Soviet sphere to one that now is a free nation. And I appreciate your leadership, Mr. President (Nursultan Nazarbayev). And I welcome you here to the White House”.

On July 25, 2007 **President Bush** said: “I particularly welcome your government’s commitment to build a genuine and lasting democracy in Kazakhstan. The United States strongly supports Kazakhstan’s development as a just and democratic society in which human and political rights are fully respected, civil society vibrant and free, and the fruits of economic development are delivered to all. I hope that Kazakhstan’s constitutional reforms will establish open and representative political institutions, with the full participation of civil society, and governed by the rule of law”.

In his congratulatory message on the occasion of Astana’s 10th Anniversary celebrated on July 6, 2008 **President Bush** wrote: “This day also presents an opportunity to recognize the strong partnership that has developed between our two nations since Kazakhstan secured its independence in 1991. I am sure that relationship will continue to prosper for many years to come... God bless the people of Kazakhstan and the fine city of Astana”.

In the course of his first visit to Kazakhstan in February, 2008 **French Prime Minister Francois Fillon** sought to step up Kazakhstan-French relations: “We would like to increase contacts with Kazakhstan. One liter of oil out of 10, and one ton of uranium of out 12 consumed by France are supplied by Kazakhstan. So our economic relations are developing and there's huge potential for further growth”.

On May 22, 2008 Russia's newly elected **President Dmitry Medvedev** mentioned during his visit to Kazakhstan that "Astana did not become the first foreign capital that I have visited as the president of Russia by chance. The main thing is that Russia values the genuinely friendly and mutually-advantageous relations with Kazakhstan, our strategic partner."

On June 19, 2008 **Japanese Prime Minister Yasuo Fukuda** after his meeting with President Nursultan Nazarbayev hailed the booming development of Kazakhstan's capital city: "We are proud of our contribution to the development of Astana. I would like to express my respect towards the people of Kazakhstan who, since gaining their independence, have overcome various difficulties and in such a short span of time achieved present day prosperity and success".

DEVELOPMENT OF A CIVIL SOCIETY IN KAZAKHSTAN

The ideas of a **civil society**, a **law-abiding** state and **free market economy** were taken as a basis of our country's development. Basic principles of a civil society in Kazakhstan are the recognition of ideological and political **pluralism and** separation of state and public institutions. Citizen's rights to **establish** political, public and professional organization are **legally** protected.

The development of **non-governmental organizations** is one of the most significant achievements. They carry out a role of intermediaries between the State and citizens, commit many functions of social transformations in the society, contribute a lot to **various areas** of social life: **human rights, democracy, election**, ecology, equal rights of women in the society, consumer rights, youth rights, lonely mothers and families with many children, orphans, invalids, victims of illegal reprisals, etc.

More than 5000 non-governmental organizations are functioning in the country today, solving social problems and promoting more active involvement of citizens in the society's democratization processes. **About 50 thousand individuals** are permanently employed by NGO, **50 thousand** are temporary employed as experts and **more than 100 thousand individuals** act as volunteers.

At the first stage of the development, non-governmental organizations existed basically on foreign grants. During this time, more than 500 non-governmental organizations were established. These non-governmental organizations were aimed basically at civil rights protection. The 1998 Program of democratization of the country increased the role of non-governmental organizations as key element of democratization of Kazakhstan society.

Conditions of non-governmental sector development have changed cardinally today. The comprehension of the **important** role of this social institute by the society is progressing now. The quality of organizational and practical support by the state of non-governmental organizations acquires now a special meaning.

In 2001 the **Law of the Republic of Kazakhstan "On not-for-profit organizations"** was adopted and became a real step towards the recognition of the role and place of non-governmental organizations. Registration of the non-governmental organizations was greatly simplified.

The code of the Republic of Kazakhstan "On taxes and other obligatory payments in the budget" № 209-II, June 12, 2001 stipulates **significant tax advantages for the non-governmental organizations**.

The **Concept of the State support of the non-governmental organizations** was adopted in **January 2002**. It determines the purposes and priorities of the state support of the non-governmental organizations. Recognized leaders of non-governmental sector, as well as

representatives of international organizations (UNDP, TESIS and Counterpart Consortium) took part in the development of the Concept.

The Resolution of the Government of Republic of Kazakhstan "On the Program of the state support of non-governmental organizations of Republic of Kazakhstan for 2003-2005 years", was adopted in 2003. The purpose of the Program of the state support to non-governmental organizations of the Republic of Kazakhstan is the creation of conditions for sustainable development of non-governmental organizations as **an indispensable** part of the civil society and strengthening of their role in **resolving** significant social problems of the society on the basis of interaction with the Government.

Development of the new Laws "On non-governmental organizations in the Republic of Kazakhstan" and "On the State social order" has begun. **Laws are aimed at** the formation of the new model of relations in realization of the social policy in the Republic of Kazakhstan, creation of steady and effective system of relations between the state and public sector, maintenance the legal basis of activity of non-governmental organizations and carrying out of the State social order by them on a competitive basis.

There are **10 political parties** in Kazakhstan as compared to 13 in 2006. Four parties representing supporters of the current Government merged by the end of 2006, and as a result "Nur-Otan" - a new pro-presidential pro-reform party able to effectively represent interests of its numerous supporters - emerged on the political stage of Kazakhstan. Also in 2006 a leftist Nationwide Social Democratic Party was registered joining the ranks of several other opposition parties. The beginning of 2007 has seen a robust process of mergers and consolidation of political parties, including opposition ones, particularly, in the run-up to 18 August, 2007 parliamentary elections.

The main parties are:

Nur Otan ('The Light of the Fatherland') was founded in 1999 as Otan. It has ever since been the ruling party in parliament and increased its share of parliamentary seats from 42 to 67 when it merged with the Asar party, Agrarian party and Civic party in 2006. In July 2007, following constitutional amendments, Nursultan Nazarbayev was elected chairman of Nur Otan. For its party list Nur Otan registered 126 candidates. The party aims at pursuing economic and political reforms, increasing living standards, supporting social fairness and stability of society, and advocating multi-national and multi-ethnic harmony.

Communist People's Party of Kazakhstan (CPPK) was registered prior to the 2004 parliamentary elections, competing with the opposition Communist Party of Kazakhstan but did not win any seats in Parliament. The CPPK, headed by Vladislav Kosarev, registered a proportional list numbering 20 candidates. Largely pro-presidential, the party promotes Marxist-Leninist ideology, but adapted to the new realities of social development.

Aul ('Village') was established in 2002 and promotes itself as a party for rural districts. As such it focuses on the development of agriculture and the protection of the interests of agricultural workers. Aul furthermore supports economic and political reforms aimed at the further democratization of society, and increasing the living standards of citizens. The party generally supports the policies of the President but was not represented in the outgoing parliament. Aul is headed by Gani Kaliyev and succeeded in registering 33 candidates on its proportional list.

Ak Zhol ('Bright Path') was established in 2003 and promotes itself as opposition party. The party is led by Alikhan Baimenov, who ran as the party's candidate for president in the 2005 elections. Just before those elections Ak Zhol split and the more critical wing of the party registered under the name Nagyz (Real) Ak Zhol. The only oppositional party to win a seat in the 2004 elections, Ak Zhol characterizes itself as 'constructive opposition' and Mr Baimenov later became a key player in the President's Commission for Further Democratization of Kazakhstan. In 2006 the party signed a cooperation agreement with the Adilet party and the two parties ran a

joint list consisting of 98 candidates for the upcoming elections. Ak Zhol advocates an independent, democratic and free Kazakhstan, and supports the fundamental values of democracy, independence, freedom, fairness and justice. Suffered the electoral catastrophe in August 2007 parliamentary elections, winning 3,09 % of public vote.

Azat/former Nagyz-Ak Zhol (major opposition party) was established by Bolat Abilov and Oraz Zhandosov in April, 2005. After the failure in August, 2007 parliamentary elections party's leaders decided in March 2008 to re-brand Nagyz-Ak Zhol party, with a new name and a leadership shake-up. After reregistration Azat starts preparing for the next parliamentary election. The party's new-old priorities: making the terms of contracts with foreign investors developing Kazakhstan's energy resources public; exporting gas at market prices; restricting the use of foreign labour; bringing laws on elections, media and public assembly in line with certain OSCE commitments; introducing elections for all local mayors and governors; and lobbying to join the Council of Europe.

Nationwide Social Democratic Party (NSDP). Following his unsuccessful presidential bid in 2005, Zharmakhan Tuyakbai established the NSDP in January, 2007. In June 2007 it united with Nagyz Ak Zhol and for the elections the two parties ran a joint list consisting of 80 candidates. NSDP positions itself as radical opposition. The party platform emphasizes the establishment of democracy, rule of law, and a socially-oriented state, an innovative economy and a new 'humanist' system of politics, as well as the principles of the social-democratic movement.

Party of Patriots of Kazakhstan (PPK) was established in August, 2000 and reregistered in March, 2003. A small party, the PPK is sometimes critical of certain government policies, but in general supports most of the presidential initiatives. The party, led by Gani Kasimov, aims to establish a governmental system based on the rule of law and democratic principles and promotes a civil society with a market economy where living standards are raised. PPK registered eleven candidates on its list.

Rukhanyat ('Rebirth') is a small party that was registered in October 2003. Led by Altynshash Zhaganova, it tends to support the government's policy. Rukhanyat registered a proportional list consisting of nine candidates. The party wants to expand the economy, address social issues and develop the spirituality of society.

LEGAL, JUDICIAL REFORM, JURY TRIAL AND ALTERNATIVE DISPUTE RESOLUTION IN KAZAKHSTAN

Legal Framework

The legal system of Kazakhstan owes its origin to the Continental (Roman-German) legal family. The Constitution, respective normative legal acts, international treaties, as well as the normative resolutions of the Constitutional Council, and Supreme Court of Kazakhstan constitute the actual law in Kazakhstan. The international treaties ratified by Kazakhstan generally have priority over its laws and, such treaties can either apply directly/automatically, or, after the adoption of a law where the treaty itself provides that, for its application, a law must be adopted.

Each of the regulatory legal acts of a subordinated level must not contradict regulatory legal acts of the higher levels. All regulatory legal acts shall have direct/automatic effect, unless it is otherwise stipulated in the regulatory legal acts themselves, or in acts regulating their entering into force.

Judicial functions

Judicial functions are exercised only by courts of law. Judicial functions are exercised by application of civil, criminal and other forms of judicial proceedings as established by law. The courts of the Republic are as follows: the Supreme Court, and local courts of law of the Republic.

Recent legal and judicial reforms

Kazakhstan has successfully reformed its legal and judicial sectors and constantly continues the modernization process by introducing the best world practices. Such reforms as **the move of penitentiary system from the Ministry of Interior to the Ministry of Justice, introduction of a moratorium on death penalty with a view of future total abolition, introduction of jury trials for the most serious crimes have all won international acclaim and praise.**

Relevant Extracts from Mr Nursultan Nazarbayev's 2005 State-of-the Nation Address "Kazakhstan on the Road to Accelerated Economic, Social and Political Modernization" (18th of February 2005)

Reforms of the Judicial System and the Legal Defence 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."

Justice Administration Reform

In 2004 Kazakhstan's courts took up over 900 thousand lawsuits, whilst the number of complaints reduced by 3-4 times against 2001. Hundreds of litigation cases with infringed procedural terms recorded three years ago have declined to only 64 in 2005 – the reasons for delays were the need for fugitive retrieval, extradition or medico-legal expertise. Cancelled verdicts do not exceed 2% of all cases tried by courts.

Jury Trial Introduction

The main task of the judicial reform is to introduce jury trial for most grave cases. The corresponding draft law required joint efforts of Supreme Court, and other concerned structures including international organizations and NGOs. Within numerous workshops, international scientific research conferences and round tables the concept of jury introduction has been developed in Kazakhstan. Jury trial introduction is aimed at strengthening of democracy, fairness and humanity in the court system of Kazakhstan. Continental model of jury is considered to suit Kazakhstan's legal system best - the jury trial will aim at joint decision of jurors and judges on the issues of culpability or innocence of defendants and penalty infliction. Such jury model will ensure greater community participation in justice dispensation and all public justice matters will be taken conjointly with magistrates. Thus Kazakhstan's courts will retain their high professional quality. At the initial phase only cases imposing either death penalty or maximum imprisonment term will be handled by jury trial.

Judicial transparency and openness

Kazakhstan plans to introduce single judgment database as well as introduction of program for automatic cases distribution to exclude partiality. All legal judgments of court are placed and available on the Supreme Court's internet site (www.supcourt.kz). Project implementation will ensure judicial transparency.

All courts act as public and open institutions whose decisions are to be available to anybody except for special statutory cases. Currently court presidents distribute suits among judges. Lately their bias activities roused much unfavourable criticism. The latter is fraught with corruption upsurge.

Judicial education and training

Judicial Academy was established with due regard to world experience for judges' professional education and training. A special magistracy for judges' training was also established.

Concurrently Kazakhstan introduced tight requirements to judicial candidates. According to Law "On court system and RK judges' status" all candidates are to pass 3-6 month internship in regional court and are to be appointed on competition basis. Justice qualification collegiums assigned for judges selection is comprised of judges, Parliament deputies, representatives of public prosecutor office, justice ministry, members of the Bar and scientific community.

Kairat Mami, Chairman of the Supreme Court of Kazakhstan said people's confidence in Kazakhstan's courts grew in 2004. "People began to seek protection of their legal rights and interests more [through the courts]," Mami credited strengthening of confidence on the fact that courts make fewer mistakes today and review cases in a timely fashion. According to the Supreme Court statistics, only about one tenth of all court decisions in civil suits are later appealed. At the same time, the share of reversed decisions decreased by half since 2000 and currently stands at 1.5 percent of all court rulings. "A similar trend can be observed regarding criminal cases," explained Mami. The share of reversed convictions decreased by half, and stands at 0.9 percent during the same time period.

The Supreme Court Chairman also stressed the Kazakh courts now "use incarceration more rarely" which is in line with the country's drive to humanize its criminal prosecution system. The proportion of those convicted sentenced to prison terms decreased from 51 percent in 2000 to 45 percent in 2004. At the same time, the number of acquittals doubled. "All of these facts point to the strengthening of our courts as institutions of real rights protection," Mami concluded.

Alternative Dispute Resolution (Arbitration)

Arbitration mechanisms exist in Kazakhstan. In December 2004 Kazakhstan has adopted Laws “On international commercial arbitration” and “On courts of arbitration” to provide alternative dispute resolution mechanisms.

ADR System Description

Arbitration courts consider controversies arising between organizations and citizens. In order for a case to appear before an arbitration court, the case requires the written approval of all parties involved. Any civil dispute that does not affect the public interest may be settled by an arbitration court. According to the International Arbitration Court of the Juridical Center "IUS," the most common cases brought for arbitration are property disputes, labour disputes, and family disputes. There are approximately 35 arbitration courts in Kazakhstan. However, there are only 5 that handle a substantial volume of cases and they are all located in Almaty and Astana.

In Kazakhstan, there are two kinds of arbitral courts - continually operating arbitrage and ad hoc arbitrage to consider individual disputes. Kazakhstan arbitration courts can proceed both on the standards of local procedural law, the standards of international procedural law (for example, the UNCITRAL Arbitration Rules), and the substantive law of any foreign state. The decisions of arbitration courts have equally binding force as the decisions of state courts.

Kazakhstan International Arbitrage

Kazakhstan International Arbitrage is the first arbitration court in the Republic of Kazakhstan which was established after adoption of the Law of the Republic of Kazakhstan “On Arbitral Tribunals” and Law of the Republic of Kazakhstan “On International Commercial Arbitration” on 28 December 2004.

Kazakhstan International Arbitrage (hereinafter – KIA) is permanent arbitration institution, which considers disputes under legislation of the Republic of Kazakhstan, and also under norms of legislation chosen by the parties of dispute.

Since realization of right to apply to arbitration court for dispute resolution depends solely on the will of the parties, KIA Rules of Arbitration, first of all, take into account interests of the parties in order to provide rapid and effective dispute resolution in accordance with common international standards.

Quality of arbitration proceedings depends not only on thoroughly elaborated procedural mechanisms, but also on qualification of Arbitrators. Therefore, KIA list of Arbitrators include leading Kazakhstan and international specialists in the sphere of law, which have high prestige among scientific groups and practicing lawyers. Professional qualities of the arbitrators and procedure will comply with highest requirements of the parties.

In recent years, such mechanism of alternative dispute resolution as mediation became prevalent worldwide. In mediation, the neutral mediator assists the parties in reaching a settlement but does not have the authority to make a binding decision or award. Mediation is administered by the KIA in accordance with its Rules of Mediation.

According to the Rules of Administering Arbitrations under UNCITRAL Arbitration Rules KIA has the right to assist parties, which have chosen ad hoc arbitration as instrument of dispute resolution, as competent body or by providing administrative services of secretarial and/or technical character.

Academician of National Academy of Sciences of Kazakhstan, Doctor of Laws, Professor Maidan Suleimenov is the Chairman of Kazakhstan International Arbitrage.

State's Regulation of ADR Agents

The International Arbitration Court of the Juridical Centre "IUS" is recognized for its implementation of ADR mechanisms, and its supervision of the enforcement of arbitration decisions.

MEDIA IN KAZAKHSTAN



Having emerged on the world map from the shackles of the Soviet Union in 1991, Kazakhstan started actively developing its media market.

It is a remarkable achievement for a country that used to have only few media outlets, purely official, to provide access today to more than 2,000 local media resources, about 85 percent of which are non-governmental.

There are major newspapers as well as TV and radio channels providing news and entertainment in 11 languages, including German, Ukrainian, Turkish, Ukrainian etc., to reflect the great ethnic diversity in Kazakhstan. Media outlets broadcasting in ethnic languages are subject to grants and other types of financial support from the national budget. In 2002 the first Kazakh satellite channel – Caspionet – was launched and broadcasts successfully both in the country and abroad.

International media corporations such as CNN, BBC, Radio Free Europe, Deutsche Welle, Polonia and others actively broadcast their programs in Kazakhstan through local cable television companies. Over 80 foreign mass media from more than 20 countries, including the largest news agencies such as the Associated Press, Interfax, France Press, Xinhua, Reuters, ITAR-TASS, Bridge news, etc. are accredited in Kazakhstan.

A liberal and democratic government information policy is the basis for these processes. The main mechanisms of the policy are:

- legal guarantees and practical insurance of the principles of freedom of speech, free receiving and spreading of information, censorship prohibition;
- continuing improvement of legal framework of mass media activity;
- annual placing of budget financed government order for implementation of the government information policy. A right to get this order is assigned through a contest among mass media bodies irrespective of their ownership. This measure allowed to create equal conditions for receiving government financial support by both government and non-government press consequently encouraging their creative activity and business initiative;
- transparent process of receiving frequencies for TV and radio broadcasting. The Commission on providing rights for radio frequency use comprises representatives of the Parliament, international and Kazakhstan public associations. Activity of the Commission is widely covered by the mass media;

– creation of economic conditions for mass media growth. All the publications and TV stations are exempted from VAT. Charges for use of radio frequency decrease almost every year;

– continuing and constructive cooperation with public associations, international organizations, media research institutes in the area of mass media development. Journalists rights associations such as the Journalists Congress of Kazakhstan, Journalists Union of Kazakhstan, Teleradiobroadcasters Association of Kazakhstan, offices of international organizations (the OSCE, Human Rights Watch, Internews network, Adil Soz, etc.) fruitfully work in Kazakhstan;

– close attention to journalists development. To this end every year the government provides grants and loans for education in this field, a TV Journalism School was established.

An important event for mass media development in Kazakhstan was the establishment of the Public Council on Mass Media (information policy). This entity unites MPs, the Chairman of the Board of the Journalists Union of Kazakhstan, President of the Tele-Radiobroadcasters Association of Kazakhstan, Editors-in-Chief and journalists of leading mass media bodies.

Major Kazakh media outlets

Newspapers

- Kazakhstanskaya Pravda – www.kazpravda.kz
- Ekspres-K – www.express-k.kz
- Zhas Alash – www.zhasalash.kz
- Liter – www.liter.kz
- Vremya (opposition) – www.time.kz
- Karavan – www.caravan.kz
- Zonakz (opposition web source) - www.zonakz.net
- Geo (opposition web source) – www.geokz.tv

Television

- Khabar TV – www.khabar.kz
- Kazakh Commercial TV (KTK) – www.ktk.kz
- Caspionet – www.caspionet.kz
- El Arna
- Hit TV www.hittv.kz

Radio

- Radio NS – www.ns.kz
- Europa Plus – www.europaplus.kz
- Auto Radio – www.avtoradio.kz

News Agencies

- Kazinform – www.inform.kz
- Interfax Kazakhstan – www.interfax.kz
- Kazakhstan Today – www.gazeta.kz

EURASIAN MEDIA FORUM



The Eurasian Media Forum is the most prominent international media initiative in Eurasia aimed at defining the strategic role of Eurasia in world affairs, exploring a new approach to international relations, promoting equality of access to reliable public information throughout the area and encouraging the highest standards of journalism.

The Eurasian Media Forum facilitates the professional development of the Eurasian media and promotes international public understanding of Eurasian issues. It achieves this in a number of ways, for example by analyzing the current state of the regional media and its development; by discussing the current issues affecting the development of the Eurasian media market; by providing a platform for discussion on the role and place of the Eurasian continent in the global development and peace building processes; and by creating opportunities for building new partnerships and developing innovative cooperation models.

To this end, the Forum has launched the series of annual conferences for invited delegates, all with a special interest in the strategic role of Eurasia in world affairs: the issues, the options and the potential.

The first five conferences held annually since 2002 have each attracted more than 500 media, political and business experts from 60 countries. Attendees to the Almaty meetings have debated many current subjects including the changing patterns of international relations, post 9/11 diplomacy, conflicts in Iraq and Afghanistan, and media issues surrounding coverage of terrorism, extremism, religious and interethnic tolerance.

The Eurasian Media Forum was initiated by the Kazakhstan National Khabar News Agency and was officially registered as a non-political, non-profit, non-governmental organization — Eurasian Media Forum Foundation — in Almaty in September 2001. In 2002 the Foundation opened its Representative Office in Moscow for better interaction with the Russian and CIS media communities and established a London-based working group. The Foundation is in charge of organizing the annual Eurasian Media Forum conferences and implementing all corresponding activities during the intervening period.

The EAMF concept is promoted and aided by the vital support of its partners which include, to mention but a few:

- Khabar Agency,
- CNN,
- NATO,
- Associated Press Television News,
- The Eurasia House,
- The Eurasia Centre at The Judge Institute of Management Studies,
- University of Cambridge,

- International Herald Tribune,
- The International Press Institute,
- The Centre for World Dialogue,
- RIA “Novosti” Agency (Russia),
- The Information Telegraph Agency of Russia (ITAR-TASS),
- The German-Kazakh Society,
- The British-Kazakh Society,
- East-West Institute (USA),
- The International Academy of Television Arts and Sciences (IATAS),
- The American Chamber of Commerce in Kazakhstan,
- International Journalist Unions Confederation,
- The International Institute for Modern Politics,
- Journalist Unions of Russia and Kazakhstan,
- Kazakhstan TV and Radio Broadcasters' Association,
- Kazakhstan Congress of Journalists, and many others.

The Eurasian Media Forum has pioneered in establishing a wide scale network of interaction among world’s journalists, governments and experts to further the understanding of the region, its transformations and various issues of its development as a growing economic and political powerhouse of the 21st century.

KAZAKHSTAN – A MELTING POT

“Members of diverse societies and communities who live side by side with each other and work together pick up the best qualities from each other and achieve high grounds of morality and goodness”

“Abay, Kazakh poet and enlightener, XIX c.”

The cornerstone of interreligious and interethnic consent in the Republic of Kazakhstan is mutual trust and respect. Accord among Kazakhstan's various religious and ethnic groups rests upon several major principles.

- Preservation and development of cultures and traditions of all ethnic groups living in the Republic of Kazakhstan: there are **324 ethnic languages media outlets**; the Government lends its financial support to newspapers, magazines, TV and radio shows in various ethnic languages; there are **Uighur, German and Korean theaters**, the only ones in the former Soviet space. **In the last 9 years their financing increased more than 5 fold.**
- There are **2067 mixed languages schools** and **90 schools teaching entirely in ethnic languages** and about **200 ethnic languages Sunday schools** where representatives of more than **30 different ethnic groups can study their language.**
- There are more than **4000 religious groups in Kazakhstan representing 46 confessions.** Since the first days of Kazakhstan's independence the number of **orthodox churches has increased 4 times, catholic churches - 2 times.** There are more than **1000 missions and other places of worship and protestant unions.** There are **27 synagogues** in Kazakhstan. For the first time in many centuries a Buddhist temple has been built in the country. **38 media outlets are run by religious organizations.**
- Civil society and government of Kazakhstan have consistently been taking every possible measure to prevent any form of ethnic or religious radicalism. **"Any actions aimed at violating interethnic consent should be treated as anticonstitutional" - Kazakhstan's Constitution reads.** "Kazakhstan intends to strengthen further its role of an active participant of the international coalition against international terrorism and religious extremism", President Nazarbayev declared in his latest Address to the people of Kazakhstan.
- In 1995 Kazakhstan established a so-called "infrastructure of friendship" - **the Assembly of People of Kazakhstan.** The Assembly is an umbrella structure that unites under its aegis 23 national and more than 470 regional ethnic-cultural organizations in almost every region of Kazakhstan. In 12 years of its existence, **the Assembly** has undergone significant evolutionary changes having **transformed from advisory-consultative body into constitutional one.** Under the constitutional reform of 2007, the status and authority of the Assembly have been considerably strengthened. Today, **9 Assembly members have permanent seats in the lower chamber of Parliament.** The Assembly has become one of the main institutes of Kazakhstan's democracy with interethnic consent remaining one of the pillars of democratic constitutionalism, rule of law, respect for human rights and freedom in the country.
- Kazakhstan constantly improves its model of interethnic and interreligious consent. In 2007 the special Program on Guaranteeing Religious Freedom and Improving State-Religion Relations in Kazakhstan on 2007-2009 was adopted. Within the framework of this program, a number of international scientific-practical

conferences on religious legislation, interreligious consent, fight against religious extremism and other vital issues have been held.

Historic background:

In times of the dusk of the pagan world and the dawn of contemporary world religions, **monotheism was being actively spread in the territory of Kazakhstan. Islam, Buddhism, Christianity, Judaism, Zoroastrianism passed through the country** to become an integral part of Eurasia's history and culture. For millennia, **Kazakhs have been demonstrating their striking adaptability to constantly changing external conditions.** The Great Silk Road, which used to go through the territory of Kazakhstan, was a bridge between the East and the West.

Some 500,000 people from Northern Caucasus, 800,000 Germans from the Volga region, 150,000 Koreans from the Far East, Crimean Tatars, Greeks, Poles, Baltic people were forcefully moved to Kazakhstan during the Stalin years. Kazakhs turned out to be a minority in their own country.

On May 1, Kazakhstan celebrates the Day of People's Unity. This holiday is very similar to American Thanksgiving Day. Every year on May 1, representatives of various ethnic groups living in Kazakhstan dress in their national clothes, expose their art, culture, food and traditions to large crowds gathering in the main squares of all cities and villages of Kazakhstan.

International initiatives:

Kazakhstan has initiated the **OSCE Forum on Interreligious, Interethnic and Intercultural Understanding (June 13, 2006)**; triennial **Congress of Leaders of World and Traditional Religions** (the third congress to be held in fall 2009 in Astana); as well as the political Foreign Ministers' level forum entitled "**Common World: Progress Through Diversity**" (meeting of "reflection group" of experts was held on April, 2-3 2008; and the Forum itself is on October 17, 2008 in Astana).

Report of the US Department of State on Religious Freedom (2006)

- Kazakhstan remains the leader among former Soviet Union republics in advancing religious tolerance and respect for the rights of religious minorities.
- Kazakhstan's President respects his commitments given to the world religious community in supporting religious freedom in Kazakhstan.
- The Committee on religious affairs of Kazakhstan's Justice Ministry as well as the Ombudsman, in cooperation with NGO and religious groups, actively participate in resolving conflicts between non-traditional religious organizations and local authorities.
- Simplified mechanism of religious associations registration introduced in 2004 as well as favourable tax policy providing exemptions from income taxation for registered religious groups are beneficial for their development in Kazakhstan.
- The Government allocates land plots for the construction of mosques, churches and synagogues.
- The report states that there is no information on prisoners of conscience, forced change of religious convictions or anti-Semitism in Kazakhstan.

INTERETHNIC CONSENT

The population of Kazakhstan is various by its ethnical compound. Representatives of 130 nationalities live here. The local ethnos – Kazakhs make the largest part of the population – 58.9%, while Russian – 25.9%, Ukrainians – 2.9%, Uzbeks – 2,8%, Uighur, Tatar and German - 1.5% each, and other groups 4,3%. There are more than 100 other ethnic groups living in peace in Kazakhstan.

Many nationalities have come to Kazakhstan not on their own will, but were driven here by political repression and persecution. **In the time of Stalin Kazakhstan hosted 1.5 million of political prisoners from Russia and other regions of the USSR. And more than 1.3 million of people were deported by Stalin regime during World War II years** “as representatives of unreliable nations”. All these people found understanding and support of Kazakh people, found their second Motherland on the land of Kazakhstan.

The principle of equality of nations that inhabit our country is strictly **adhered by**. All conditions for a full national self-expression have been created as well as the rights for the fulfilment of their ethno cultural interests **are ensured**.

Legal guarantees and respectful treatment of all the languages used in the republic defend the integral right of citizens of any nationality to develop their language and culture. Figures witness the balance and harmony of the national policy: about 40% of secondary schools use Russian language in teaching. The higher education for 70% is available in Russian language. In **areas of residence of compact ethnic** groups schools function with Uyghur, Tajik, Ukrainian, German, Polish and other languages of teaching.

The Sunday schools of national and cultural unions also receive support in the teaching of native languages. **Today** 30 languages of ethnic groups of Kazakhstan are taught in about 200 Sunday schools and 3 schools of national revival.

Magazines and newspapers are published, TV and radio programs are broadcast in 11 national language in Kazakhstan. Books in the languages of ethnic minorities of Kazakhstan are published annually on the state order with a total number exceeding 80 000. Besides Kazakh and Russian theatres there are also Uyghur, German and Korean ones.

Ethnic cultural centres have been established in all areas of Kazakhstan, to support ethnic identity of different nationalities. Their highest forum is the **Assembly of peoples of Kazakhstan**.

Today this powerful social force has become an organic part of the civil society and expresses its views in the chambers of the Parliament, political parties, mass-media, state and non-government organizations. The Assembly of peoples of Kazakhstan has become an important element of the political system of Kazakhstan. It has forged the interests of all the ethnos **and ensures** the rights and freedoms of all citizens regardless of their ethnic origin and religion.

27 republican and regional, more than 300 district ethnic cultural unions enter the Assembly of people of Kazakhstan. Three centres have an international status.

The Assembly deals with **16 Small Regional Assemblies of peoples of Kazakhstan** which act as **consultative** bodies by the regional administrations and comprise representatives of local ethnic-cultural and social unions.

Kazakhstan’s efforts to ensure inter-ethnic peace and accord are essential for internal stability and are widely recognized in the world. The Pope as well as UN General Secretary Koffi Annan who paid visits to our country **over the last five years cited Kazakhstan as the example of inter-ethnic consent and sustainable development of a multi-ethnic society.**

The interethnic policy is based on the principle of unity in variety. The civil peace and consent in Kazakhstan are the result of a persistent policy of the Government which enjoys the support of the whole society.

INTERRELIGIOUS RELATIONS

There are more than 4000 religious unions representing more than 40 confessions in Kazakhstan, more than 300 foreign missionaries preach, and about 2,500 cult buildings operate on the territory of Kazakhstan.

The main principles of interaction between the state and religion and mutual relations between different confessions are defined in the Constitution of the Republic of Kazakhstan according to which:

1. The State and its bodies do not have the right to control the attitude of its citizens towards religion and to consider its citizens on this criterion.
2. The State doesn't interfere with the activities of religious organizations (unless laws are violated)
3. The State provides no material or any other support, including financial aid, to religious organizations.
4. Religious organizations don't exercise any state functions
5. Religious organizations don't interfere with the matters of the State.

The State undertakes the duty to guard lawful activities of religious unions, it doesn't evade the legal regulation of their status and takes care of the legislative frames of their activities which provides a balance of relations between confessions and state power.

The State considers religious people as equal citizens of Kazakhstan endowed with all rights and views religious unions as an integral part of the social structure of the country. The State supports and encourages religious unions and believing people in the fulfilment of a socially useful activity seeking to attract religious unions to the solution of social problems, creation of a favourable spiritual and moral climate in the society as well to discussion of draft laws concerning the questions of religion.

In Kazakhstan the state power contributes to the development of interconfessional dialogue, to creation of the climate of mutual understanding and tolerance between the representatives of different religions. For this purpose the Government's Council on the relations with religious unions, the Ministry of culture, information and social accord help in arranging of round tables, seminars, conferences on the questions of the interconfessional dialogue and religious tolerance. Existing various connections between the state and religion allow the latter to influence the decisions of state institutions. Representatives of religion take part in the work of consultative bodies of the President (Assembly of people of Kazakhstan) and akims (small Assemblies).

It must be noted that these basic principles defining the **legal** bases of religious unions activity is the result of **efforts done in the last years**.

At the beginning of 90s the independent Kazakhstan inherited the legacy of the militant soviet atheism - the discrimination of religious groups that were outside the legislative field being subject to the regulating activity of the official power. Not a single word could be said of the freedom of consciousness and religious self-definition.

In post-soviet Kazakhstan the official approach to religious unions and faithful people has radically changed: for the first time not only their duties but also their rights were recognised and they became the subjects of social and legal interaction enjoying full rights. In 1992 the law of the RK "On the freedom of religion and religious unions" was adopted giving many opportunities to the people to satisfy their religious needs. This law was drafted according to international acts, principles and norms and established a liberal policy of the State in the field of religion.

The idea of spiritual accord and interconfessional cooperation was chosen as a basis of state policy in this sphere. **The importance of the dialogue between the confessions is stressed on the background of religious extremism and religious conflicts emerging throughout the world.**

It's notable that Kazakhstan is one of the first countries which managed to transform the idea of spiritual accord into reality. In spite of difficulties of the first years of independence it was

our republic where in 1992 the First congress of spiritual accord was held. Since then the 18 October is celebrated as the Day of spiritual accord in Kazakhstan.

Kazakhstan attaches a great importance to the promotion of peace and development of interconfessional dialogue globally. In **September 2003** Kazakhstan has organised and hosted the first ever **Congress of Leaders of World and Traditional Religions** which gathered senior clerics from Islam, Christianity, Buddhism, Judaism, Hinduism, Taoism and other faiths. The Congress, held at the initiative of President Nursultan Nazarbayev in Kazakhstan's capital, drew wide-spread support from political leaders of both Western and Asian nations. **The US President George W. Bush** has sent his message to the participants of the Congress and backed the idea of this event. Group of senators and members of the US Congress have also supported the Congress and wrote a letter to President Nazarbayev.

Meetings of the Secretariat of the Congress are held at least once a year. The first such meeting was held in Turkestan, Southern Kazakhstan, in October 2004. The meeting of the Secretariat in Almaty in June 2005 gathered representatives of 19 religious associations from the UK, Iran, Egypt, Saudi Arabia, Indonesia, Pakistan, France, Russia, China, Mongolia, Israel and other countries. The meeting has adopted the Concept of the Second Congress and agreed its theme - "Religion, Society and International Security". The participants have also developed and adopted The Principles of the Interreligious Dialogue which state that "the interconfessional dialogue must be based on the honesty, tolerance, humility and mutual respect". The Secretariat has also drafted the Charter of the Congress for the consideration at the Second Interconfessional Congress in 2006. In April 2006 Kazakhstan hosted the Fourth Meeting of the Secretariat of the Congress which took place in Astana. Its participants from all over the world have approved the draft declaration, themes and agenda of the Second Congress. The main themes of the agenda are: the freedom of conscience and recognition of leaders of other religions, as well as the role of religious leaders in international security. **Special envoy of the National Council of Churches Rev. Dr. Shanta Premawaradhana** was taking part in the Secretariat meetings.

Taking note of Kazakhstan's interreligious initiative the UN General Assembly adopted the Resolution on Promotion of Interreligious Dialogue on 12 November 2004. This document stresses the commitment of all religions to peace and stability all over the world and appeals to the international community to promote in every way the development of the interreligious dialogue. By adopting this Resolution the community of nations has expressed support to Kazakhstan's effort to promote the culture of peace and the dialogue among civilisations.

On 12-13 **September 2006** Kazakhstan's capital Astana hosted **the Second Congress of Leaders of World and Traditional Religions** which gathered over 40 religious leaders, their representatives and envoys representing world and traditional religions as well as the representatives of international religious organisations. The religious leaders signed a solemn Declaration "together to tackle and ultimately eliminate prejudice, ignorance and misrepresentation of other religions" as a contribution in the global fight against terrorism. The Congress's participants confirmed their intention to reinforce the process of inter-religious dialogue and to meet again in Astana in three years' time in 2009.

Kazakhstan's efforts to ensure inter-religious harmony have been fully approved by international religious leaders, including Pope John Paul II, Patriarch of Moscow and Russia Aleksiy II, Dr. Mohammad Seid Tantawi, Sheikh and Great Imam of the Al Azhar Mosque in Egypt and Jonah Metsger, the Chief Rabbi of Israel.

Kazakhstan has been successful in avoiding potentially dangerous religious conflicts. One of the brightest examples is the peaceful coexistence of Muslims and Jews in our country. More than 70 thousands Jews live today in the republic. Kazakhstan is the only Muslim country in the world where 10 synagogues were opened during the last three years.

Today religion plays a big role in Kazakhstan.

Appreciation of the values of religious tolerance, dialogue of confessions and cultures by the population of the country, the well-conceived state policy in the field of religion and the tradition of uniting representatives of different religions for the strengthening of society's stability lead to a conclusion: **spiritual accord in Kazakhstan is not an abstract idea but a reality.**

KAZAKHSTAN – ECONOMIC OVERVIEW

The next Asian Tiger

Kazakhstan is important to world energy markets because it has significant oil and natural gas reserves. Within the next decade Kazakhstan would become one of the world's largest oil producers and exporters. But Kazakhstan's strategic aspiration is to become a modern, diversified economy with a high value added and high-tech component, well integrated into the global economy. Energy sector is viewed as a good basis to achieve this goal

GENERAL BACKGROUND

The perspective of the Kazakhstan economy is closely connected with further integration into international economic relations, utilisation of unique reserves of energy and mineral resources, vast possibilities to export industrial and agricultural products, optimum employment of country's transit potential and also with availability of highly qualified specialists in different spheres.

During the Soviet period Kazakhstan was an agrarian, raw materials supplier of the former Soviet economy, where the military industry played the major role. **The main economic content of 16 years of independence has become transition from the central command planning to a market system. During these years, Kazakhstan has made considerable progress in implementing complex political, economic and social reforms to establish a democratic state with a market economy.**

While the country has not experienced political disturbances during the transition period, it has faced numerous economic, social and environmental challenges.

The first few years of Kazakhstan's independence were characterized by an economic decline (mostly due to the destabilizing force of disintegration of the Soviet Union): by 1995 real GDP dropped to 61,4% of its 1990 level. **This economic deterioration exceeded the losses experienced during the Great Depression of the 1930s.**

The wide-ranging **inflation observed in the early 1990s** peaked at annual rate of up to **3000%** in mid-nineties.

Since 1992, Kazakhstan has actively pursued a program of economic reform designed to establish a free market economy through privatization of state enterprises and deregulation and today is generally considered to be more advanced in this respect than most other countries of the CIS.

Kazakhstan remains one of the most successful reformers in the CIS, and it has the strongest banking system in Central Asia and CIS.

The main goals of current structural policy are diversification and the strengthening of the non-oil sector. A number of development agencies and research centers (Development Institutions) have been established and the Government is looking at establishing techno and science parks to support the diversification of higher-value added industries. But there are certain obstacles inherited from the past to quickly achieve this.

The EU and USA have recognized Kazakhstan (first in CIS) as a country with market economy in 2001 and 2002 respectively. Kazakhstan has become the first country in the CIS to reach investment grade status. In January 2005 the Organization for Economic Cooperation and Development (OECD) has upgraded Kazakhstan's country export risks rating, moving it from the 5th to the 4th group of risks.

Kazakhstan possessing **sizable amounts of oil and gas, coal, uranium** is an important energy player in the world. However, having these abundant resources, the Government and the country's energy sector keep an attentive eye on **global energy trends. Optimal energy mix, energy use efficient, significant environment component of energy policy, research and**

development of renewables are all on the country's energy policy agenda. **In 2006 Kazakhstan has produced its first wheat-based bioethanol** and this private sector programme will expand further.

Energy transportation and infrastructure are key elements of a viable energy policy. **EU and its Energy Commissioner** have identified last year their strong interest to cooperate with Kazakhstan in this area, particularly on trans-continental gas and oil transportation issues. **Kazakhstan** has made it clear that this fully meets its own vision for the development of **multiple energy transportation routes** from and through Kazakhstan.

Commercial viability, technical and environmental safety and financial soundness are the guiding principles for Kazakhstan's strategy in this crucial area.

The **main economic priority for Kazakhstan** is to avoid overdependence on its oil and gas and minerals sector, but to use these natural assets **to build a modern, diversified, highly-technological, flexible and competitive economy with a high value-added component**. This is the central goal of the **National Strategy until 2030** adopted in 1998 and the **State Industrialization and Innovation Programme until 2015** launched in 2003.

In 2006 Kazakhstan has additionally announced a major drive for **the Strategy to enter the 50 most competitive nations** in the world in ten years time.

In 2007 a State Program of "30 Corporate Leaders of Kazakhstan" aimed at diversification of the economy has been launched. The goal of the Program is to modernize the economy and support Kazakh companies willing to enter international markets through offering competitive products.

Diversification of the economy, introduction of **international technical, financial, business standards**, accession to **the WTO**, promotion of **corporate governance, greater transparency and accountability, education** and a concerted **administrative reform** have been identified as the key drivers to implement the above strategies (for more, please see p. 17, President Nazarbayev's 2008 State-of-the-Nation Address).

- In 2006 the Government has drastically increased the budget of a **state-run scholarship programme "Bolashak" ("Future")**. If to date only about 800 Kazakh students could enjoy the benefits of "Bolashak" scholarship since its inception in 1994, **starting from 2006 the Government fully funds 3000 Kazakh students annually to study in the world's best universities**. As of February 2008 intake of "Bolashak" students in the US reached about a 1000 young Kazakhstanis.
- Aiming to cut bureaucracy the Government is widely introducing the **"e-government"** in all major sectors. This measure coupled with other **result-oriented administrative reform steps** is viewed, among other things, as an important tool in **the fight against red-tape and corruption**.
- In order to further improve the country's competitive edge and regional role through **enforcing the principles of efficient corporate governance and management, greater transparency and accountability** as well by boosting its financial markets the Government has taken major steps in early 2006, namely it established the **"Samruk"** State holding company, **"Kazyna"** Fund for sustainable development and initiated the establishment of the **Regional Financial Centre in Almaty (RFCA)** (for more details, please see pp. 88, 92, 98 respectively).
- Over the last three years (2005-2008) **21 Kazakhstan companies have been listed at the London Stock Exchange** (10 on the main market, and 11 on AIM, market for growth companies). This has proved **de-facto Kazakhstan's leadership in the former Soviet Union in implementing Western instruments, managerial skills and business standards** in the country's economy.
- Starting from 2005 Kazakhstan has been practically implementing the UK's **Extractive Industries Transparency Initiative** with the aim to deliver a clear signal to international

investors community and financial institutions that the Government of Kazakhstan commits itself to greater transparency to further improve investment climate, strengthen accountability and good governance, as well as promote greater economic and political stability throughout the country which will be based on the principles of decentralization, industry specialization, free market competition and transparency.

- **Kazakhstan** has officially announced its aspiration **to become a trilingual nation** to help meeting its ambitious goals. These will be **Kazakh** as the state language, **Russian** as the language of interethnic communication, and **English** as the language of successful integration into the global economy and community.

Social and political stability, along with tremendous natural resources, make **Kazakhstan one of the most attractive destinations for capital investments** among the republics of the former Soviet Union.

KEY ECONOMIC INDICATORS

Key indicators	2007	2008	2009	2010	2011	2012
Real GDP growth (%)	8.5	7.0	8.0	8.2	8.6	9.1
Consumer price inflation (av; %)	10.8	17.1	9.1	7.1	7.8	8.3
Budget balance (% of GDP)	-1.7	-1.9	-1.8	-1.1	-0.8	0.6
Current-account balance (% of GDP)	-6.3	-5.6	-5.1	-4.3	-4.2	-3.7
Short-term T-bill rate (year-end; %)	6.0	6.0	6.7	6.5	6.1	6.2
Exchange rate Tenge:US\$ (av)	122.60	120.55	119.21	118.17	117.12	113.37
Exchange rate Tenge:€(av)	167.80	175.70	158.26	150.96	147.57	141.72

Economic Structure

Origins of gross domestic product 2007	% of factor cost GDP	Components of gross domestic product 2007	% of total
Agriculture	5.8	Private consumption	46.9
Industry	39.4	Government consumption	11.2
Services	54.8	Gross fixed investment	29.7
		Stockbuilding	3.1
		Exports of goods & services	48.0
		Imports of goods & services	40.0

Source: The Economist Intelligence Unit

Total exports 2007	\$ 47.8 bln.	Total imports 2007	\$32.8 bln.
Exports growth (in 2007)	25%	Imports growth (in 2007)	38.3%
Principal exports 2007	\$ bln.	Principal imports 2007	\$ bln.
Oil and oil products	29.5	Oil and oil products	2.9
Metals	3.1	Automobiles	2.4
Wheat and wheat products	1.2	Pharmaceuticals	0.504
Oil gas and gas hydrocarbons	1.1	Natural gas	0.376
Chemicals	0.9	Concrete	0.344
		Pneumatic rubber tires	0.310
Main destinations of exports (2007)	% of total	Main origins of imports (2007)	% of total
EU	38.4	Russia	35.5
Switzerland	15.7	EU	24.5
China	12.3	China	10.7
Russia	10.1	US	5.1
Iran	5.2	Ukraine	4.7

Source: Ministry of Industry and Trade of Kazakhstan

KAZAKHSTAN'S ENERGY SECTOR: GLOBAL IMPACT

Hydrocarbons

The proven large reserves of oil and gas (about 3% and 1% respectively of the world's total) and significant forecast reserves (13-18 billion tonnes of standard fuel) in Kazakhstan, make investing in the fuel and energy sector a priority.

At the moment, hydrocarbons are being developed at 241 fields, consisting of extraction at 74 fields (31%), extraction and prospecting at 106 (44%), prospecting at 59 (24%) and operations unrelated to extraction at two (1%). A total of 142 companies are operating in the sector: 20 joint ventures, 48 foreign companies and 74 local companies.

In total, \$40.6 billion in investment have been attracted to the sector. Most of the investment was in extracting hydrocarbons; as a result, output doubled and exceeded 60 million tonnes of oil and gas condensate and 27 billion cubic metres of gas. And the limit has not yet been reached: according to forecasts, the country will extract up to 100 million tonnes of oil by 2010 and about 150 million tonnes of oil by 2015.

It should be noted that Kazakhstan occupies the eighth place in terms of proven oil reserves in the world and second place in the CIS. The proven reserves will ensure extraction for 50 years for oil and 75 years for gas which is in line with the world average figure for oil-extracting countries. The future development of the domestic oil sector mainly depends on developing the Kazakh sector of the Caspian Sea, whose forecast reserves are quite promising.

Oil and Caspian off-shore development strategy and pipelines policy

After Russia, Kazakhstan was the second largest oil-producing republic in the former Soviet Union at the time of its collapse, with production of about half a million barrels per day (bbl/d) in 1991. Kazakhstan has significant petroleum reserves. Proven oil reserves as of today are 32,5 bln. barrels. Projected oil reserves are 1001-110 bln. barrels by 2015, placing Kazakhstan in global top five. Some estimates say that the offshore Kashagan field alone may contain up to 50 billion barrels of oil. **Kazakhstan's vast natural resources are projected to provide 2-3% of the worlds expected oil demand within the next decade.**¹

State-run Program of Development of the Kazakhstan's Sector of the Caspian Sea (KSCS) (herein after referred to as the Program) was elaborated with due consideration of the Government Program for 2002-2004, Strategy of Energy Resources Exploitation, and Strategic Plan of Development of the Republic of Kazakhstan up to 2010.

The ultimate goals of the Program have been defined as contribution to sustainable economic growth and upgrade of life quality of the Kazakhstan's citizens through rational and safe development of the Caspian hydrocarbons; and encouragement of related sectors' development.

By 2002, most O&G fields under development had reached peak levels of annual production. Further growth of ashore production output was first of all linked to intensified development of such oilfields as Tengiz and Karachaganak. At the same time, research has shown that major gains in explored reserves and in hydrocarbons production are expected to take place in the Caspian aquatic area. According to world practice, starting from the point of exploration works in offshore, it normally takes 8-10 years to get to the commercial production stage. The Program provides forecast for up to 2015. The Program takes into account growing importance of off-shore O&G, and integrates principles of rational subsoil

“Kazakhstan is important to world energy markets: it has significant oil and natural gas reserves. “
Source: EIA

¹ Source: EIA

use and environmental safety requirements. The Program envisages turning of the KSCS into a major hydrocarbons production zone in Kazakhstan.

Apart from development of O&G in the KSCS, the Program provides for development of associated production, social and environment-protection facilities.

For the recent 30 years there have been certain trends formed that have the global GDP growing 3,3% per annum, with the demand for oil as the major energy source growing by 1% per annum.

Hydrocarbons consumption lagging behind from GDP growth is attributed to resource-saving programs implemented primarily in industrialized nations. At the same time, the share of developing countries in the global GDP and in hydrocarbons consumption has been steadily increasing. This adds to the problem of hydrocarbons supply sufficiency.

According to international experts, with the current trends maintained, the global explored oil resources will only suffice for the next 40-50 years. Inclusion of the KSCS (Kazakhstan's Sector of the Caspian Sea) resources into the global explored reserves has become a major component of global energy strategies. Kazakhstan is to be ready for flexible mix of strategies of systematic relocation of oil production to the Caspian aquatic area with speed-up of selected promising projects.

Proximity to such dynamically developing nations as Russia and China opens wide opportunities for Kazakhstan's hydrocarbons exports. To ensure entering into the markets of the two countries, it is vital to develop and enhance trunk pipelines system.²

Legal status of the Caspian Sea

Emergence of independent states in the post-soviet territories entailed search for solutions to multiple problems arising upon gaining sovereignty by the once Soviet republics. One of the problems was territorial issues. Caspian littoral states faced the necessity to ensure fair and civilized delimitation of the Caspian Sea. If up to 1991 the Sea had belonged to only 2 states, now its waters wash the coastlines of 5 sovereign states – Russia, Iran, Azerbaijan, Kazakhstan and Turkmenistan.

As of today, the Kazakhstan's Sector of the Caspian Sea is regulated by the following agreements:

- July 6, 1998 Kazakhstan and Russia signed agreement on delimitation of northern part of the Caspian Seabed, with a Protocol to the Agreement being signed in Moscow May 13, 2002.
- November 29, 2001 Kazakhstan and Azerbaijan signed agreement on delimitation of the Caspian Seabed, with a Protocol to the Agreement being signed in Baku February 27, 2003.
- May 14, 2003 Kazakhstan, Azerbaijan and Russia signed agreement on the junction point of lines delimiting adjacent zones of the seabed and subsoil of the Caspian Sea, which finalized the process of legal registration of the national sea bottom sectors of the three states.

Speed-up of elaboration and adoption by all of the littoral states of the Frame Convention on the Legal Status of the Caspian Sea incorporating issues of the seabed delimitation is an important political move in putting in place legal ground for the Kazakhstan's sector exploration.

Investments

Up to recently, investments into development of the Caspian hydrocarbons potential were channelled within the frameworks of two projects – Northern Caspian Project and KazakhOil – JNOC Project. Northern Caspian Project is a logical continuation of the works started in 1993 by the International Consortium; it has been implemented on the basis of the PSA signed [on sea blocks] by Kazakhstan. As of January 1, 2008, investments within the Northern Kazakhstan Project reached USD 15,7 billion.

Works on the KazakhOil – JNOC Project started in March 1999. Expenses totalled USD 50 million. According to the basic agreement signed by KazakhOil and JNOC there was

² www.government.kz

geological exploration performed, including areas Terenozek – Prorva and Northern Slope of the Bozashin Arch located in hard-to-reach zones of the intermediate part of the Caspian Sea.

KSCS development calls for solutions to problems reflecting inter-industry nature of tasks of long-run extension of maritime O&G operations, dependence of many development parameters on the composition of hydrocarbons and on geologic and technical conditions at the oilfields.

Main targets in KSCS development:

- gains in explored hydrocarbons resources and bringing of production to a stable high level;
- development of multimodal system of hydrocarbons transportation;
- reprofiling and modernization of domestic machine-building enterprises;
- development of the maritime fleet and sea ports;
- build-up of the local engineering capabilities; training of domestic specialists;
- enforcement of health protection and environment protection measures;
- development of petrochemistry enterprises.

The order of the KSCS resources development will be based on uniform allocation of blocks to subsoil users in northern, central and southern parts of the sea. Blocks adjacent to protected nature sites, recreation zones, defence sector facilities and large population clusters can be an exception.

The Government shall be in charge of defining blocks to be offered for tenders, and of defining the order and conditions of setting them forth for tenders.

The order of setting of blocks forth for tenders is a package of procedures targeted to ensure staged and rational development of production potential; the package includes defining of blocks' territory, arrangement of tenders and negotiations with prospect investors.

At the present time, there are about 23 undistributed blocks, exploration of some of them is planned to be financed out of the state budget. To define the most suitable subsoil users for both exploration and development, the plan is to offer for tenders at least 3 blocks per annum. At the same time, there will be blocks offered for additional exploration. Thus, the initial stage will cover 7-8 years (up to 2010), in the course of which necessary amendments could be inserted in the schedule of development up to 2015 with a view of transportation and marketing issues. On-land production has been performing by 33 companies at over 100 oilfields located in 5 oblasts. Major gains in production take place at Tengiz, Karachaganak, Uzen and some other oilfields.

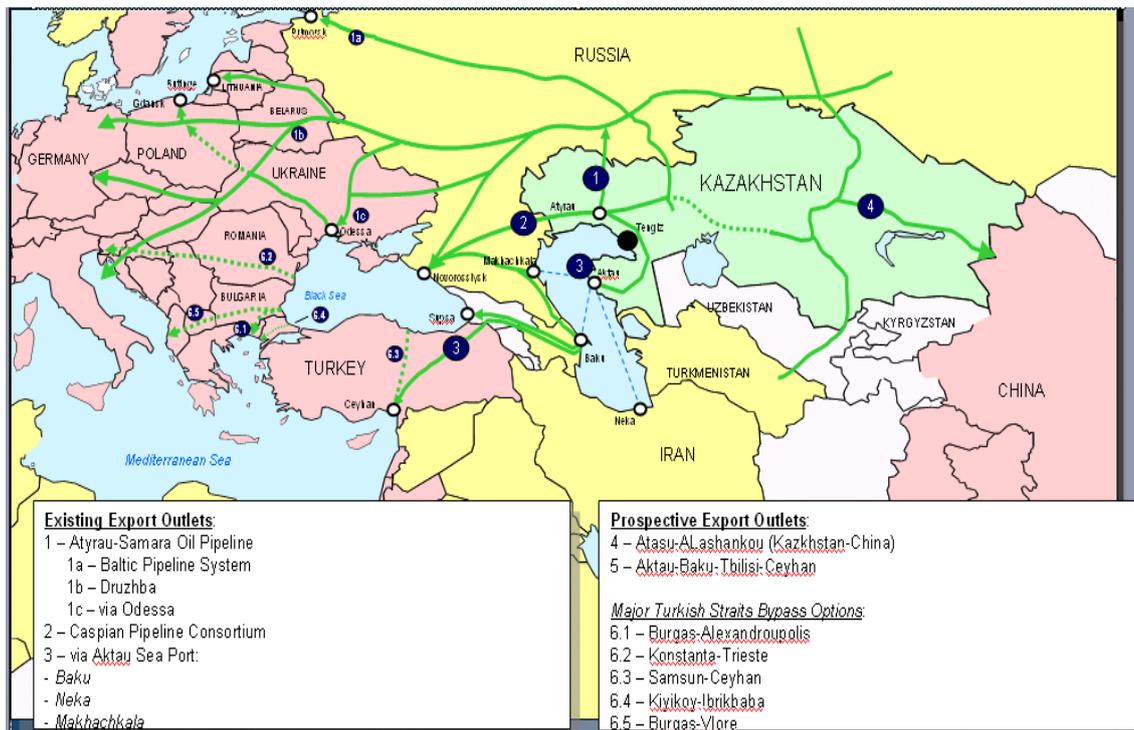
The Kazakh Government's commitment in cooperation with partners from abroad is to respect contracts signed with foreign companies but the contracts must be honoured by both sides.

Research showed that substantial gain in hydrocarbons production is expected to take place in the KSCS. Recoverable reserves of the KSCS stand at 8 billion tons. At the first stage – up to 2005 – major works included drilling of exploratory wells in blocks of first priority. Forecast KSCS resources allow bringing production at the KSCS oilfields to 100 million tons per annum and maintaining the said level for 25-30 years.

In January 2008 Kazakhstan successfully finished talks with Kashagan consortium (“Eni”, JSC “National Company KazMunayGas”, “ExxonMobil”, “Shell”, “ConocoPhillips” and “Inpex”). The companies signed the Memorandum of Understanding. The stake of “KazMunayGas” in the project was doubled to 16,8%, equalling the holdings of the largest western members of the consortium. “KazMunayGas” will take a bigger role in running the project. Kashagan is the largest single oilfield discovered anywhere in the world in the past 30 years. Annual production at Kashagan will make up 60 million tons in 2015. Production at other blocks of first priority is expected to start in 2009-2010.

According to preliminary estimates, the Program implementation will allow bringing production at maritime oilfields to 40 million tons in 2010, and 100 million tons by 2015.

Export routes



Source: *Platts*

As KSCS oilfields get developed, the need for diversification of export routes keeps growing. Enhancement of export routes implies multimode transportation of hydrocarbons, with efficient combination of capabilities of pipe, railway and sea transport.

Below is the list of current and prospect routes for transportation of hydrocarbons from the KSCS oilfields:

- Main oil pipe Uzen – Atyrau – Samara. One of transit export routes for Kazakhstan’s oil via Russia. Given planned growth of oil production in Western Kazakhstan, there is a plan of staged build-up of the pipe’s carrying capacity.
- Baltic Pipelines System is a promising route to increase Kazakhstan’s oil supply to the market of East Europe and Baltic States.
- Caspian Pipeline Consortium (CPC). Given the attractiveness of the Mediterranean market for high-quality grades of Kazakhstan’s oil, CPC is a major export route. In this connection, carrying capacity of the pipe is planned to be expanded to 67 million tons by 2011.
- Sea port of Aktau. Oil transfer capacities of the port and/or those of the Aktau port branches in the bays of Bautino and Kuryk is planned to be increased to 8 million tons per year.

The current transport systems will be sufficient for export of domestically produced oil up to 2009.

When after 2009 oil production in Kazakhstan hits the target of 92 million tons per year, including 21 million tons at KSCS, there will be a need for construction of the first new export pipeline. When production hits the mark of 140 million tons per year, including 54 million tons at the KSCS, there will be a need for construction of a second new export pipeline by 2012.

In this context, the following oil transportation routes are being considered:

- Aktau – Baku (Baku – Tbilisi Ceyhan (BTC) pipe).
- Project Western Kazakhstan – China. Access to the Chinese market and to Asia Pacific market for the Kazakhstan’s as a promising export route. There’s a master agreement between the Kazakhstan Ministry of Energy and Mineral Resources and the CNPC to construct a pipeline running from Western Kazakhstan to Western China.

- Project Kazakhstan – Turkmenistan – Iran. According to preliminary research, this route is economically viable to export Kazakhstan’s oil to the Gulf countries. The project stipulates that the oil pipe starts in Western Kazakhstan and runs via Western Turkmenistan to northern Iran.

Kazakhstan oil export capacities 2005-2015

Pipeline Capacities

(in millions of tonnes per year)

	2006 confirmed	2010 most likely	2015 likely
CPC (Kazakh share)	23	50	55
Atyrau-Samara	15	25	30
Alikbekmola-Kenkiyak-Orsk	6	6	6
TransCaspian to Makhachkala	5	5	5
TransCaspian to Neka/ Neka-Jask	6	18.5	20-27 (or 40)
Trans-Caspian to Baku/ BTC	6-10	20	30-50
China	10	20	30
KTI	-	-	25
Rail	7.5-14.0	(15)	(15)
Totals:	78.5-89.0	158.5-159.5	201-228 (241)

Source: Platts

Kazakhstan’s policy is to make a positive contribution to global energy security. This largely aims Kazakhstan’s energy resources export strategy on diversification of the transportation systems.

Financial Strategy

In 2006-2010, investments into the KSCS development are expected to reach USD 12,9 billion, and another USD 16,8 billion in 2011-2015.

The core of the financial component of the Program is full assumption of exploration-related risks by subsoil users and investors up to the approval of the first plan of development.

To ensure gains in O&G production, it is possible to attract additional financial resources from Kazakhstan’s sources through issues of debt by subsoil users. The securities can be then purchased by domestic accumulation pension funds, second-tier banks, and other financial institutions, as well as individuals.

Maximum possible attraction of internal investment capabilities for the Program implementation should be a priority component of the financial strategy.

The Program implementation allows bringing oil production in the KSCS to 100 million tons in 2015. Assumed gas production will make up 63 billion cubic meters in 2015.

Performance of oil operations in the KSCS calls for vast investments: the need for investments in 2006-2010 will reach KZT 1545 billion (\$10,3 billion).

Inflow of major part of oil revenues is expected upon completion of the first and second stage of development. At the third stage, the state budget is expected to enjoy substantial revenues coming from maritime operations.

Coal

The coal sector is also a priority investment area. Kazakhstan is among the world's top 10 coal-rich countries, after the USA, Russia, China, Australia, India, South Africa and Ukraine. Kazakhstan contains Central Asia's largest recoverable coal reserves. The state register records 142 closed mines and 55 open-pit mines. Most mines are located in central Kazakhstan (the Karaganda and Ekibastuz coal basins and the Shubarkol mine) and north Kazakhstan (the Torgay coal basin). Recoverable reserves account for 45% and unrecoverable 55%.

Mining is carried out at 53 mines, including 15 in the Karaganda coal basin, by 34 companies (one joint venture, five foreign and 28 local companies). The major companies are: Bogatyr Access Komir, Shubarkol Komir, Mittal Steel Temirtau, the Eurasian Energy Corporation, Maykuben West, Karazhira Ltd, the Kazakhmys Corporation and Gamma. These companies invested over \$3bn in mining coal (however, only 1% of it was spent on prospecting). The annual volume of investment grew 10-fold in 2005 from 1996 volumes and totalled \$375m; output reached about 80 million tons. This figure is expected to grow to 90 million tons by 2010 and 95 million tons by 2015.

The coal sector is said to have enough reserves to last over 100 years. In future, the development of the raw materials base will be achieved through enriching and improving the quality of the coal and the deep processing of coal to obtain fluid fuel and synthetic substances. Developing shale is also topical. As an alternative source of energy, methane from coal mines in the Karaganda basin can be used. The high concentration of methane in coal layers and the existence of a well-developed infrastructure and major gas consumers make it possible to extract it and utilise it on a large scale. This will also increase central Kazakhstan's energy potential and provide gas not only to enterprises in Karaganda, Ekibastuz and Pavlodar districts but also to the country's capital, Astana.

Uranium

Kazakhstan has the second largest uranium reserves in the world (following Australia), at around 1.5 million tons, which represents almost 20 percent of the world's supply. Kazakhstan aims to overtake Australia and Canada as uranium exporters by 2010. In 2006, Kazakhstan produced approximately 5,280 tons of uranium, and the country has plans to increase production to 15,000 tons by 2010.

Kazakhstan has 55 uranium deposits, 70% of which are feasible for development using the underground leaching method. Kazatomprom, the Inkay and Katko joint ventures and the Stepnogorsk Mining and Chemical Combine are involved in uranium extraction. They are now extracting over 4,000 tons of uranium, 85% of which is extracted by Kazatomprom.

Over \$551 million was invested in the sector in a decade, and 98% of this in extraction. The uranium sector has enough raw material base to last it 100 years.

Taking into account the growing capacities of nuclear power engineering and shortages of uranium, joint investment projects in Kazakhstan have already generated great interest among companies from the USA, Europe, Russia, Japan and China. In April 2005 South Korea and Kazakhstan established a joint mining venture for uranium, scheduled to begin operations in 2008 with an eventual annual output of 1,000 tons. In April 2006 Kazakhstan and Japan signed a civil nuclear cooperation agreement under which Japan will import uranium for power generation from Kazakhstan. Other foreign companies investing in Kazakhstan's uranium

industry include Canada's SXR Uranium One Inc., Japan's Marubeni Corp., China's Guangdong Nuclear Power Group, Britain's New Power Systems Ltd. and the U.S. uranium trading company Nukem. In October 2007 Kazatomprom completed its purchase of a 10% stake in Westinghouse from Toshiba for \$540 million.



STATUS REPORT ON KAZAKHSTAN'S WTO ACCESSION PROCESS

*Ms. Zhanar Aitzhanova,
Deputy Minister of Industry and Trade, Kazakhstan's
Special Representative for WTO Accession Negotiations*
www.wto.kz

1. Status of multilateral and bilateral negotiations

Kazakhstan submitted its official application for WTO membership in 1996. The Working Party on Kazakhstan's accession to the WTO consists of 39 WTO member-states with 27 European Union member states as one party.

Negotiations are taking place around four key issues:

- Multilateral negotiations on systemic issues, where Working Party members review the existing regulatory framework for Kazakhstan's economic and trade policies, and make recommendations on how to bring them into conformity with WTO agreements.

- Multilateral negotiations on agriculture, where Working Party members review the types and volumes of state support to the agricultural sector, and negotiate on the specific amount of the so-called "amber box" measures, which are considered as "trade distorting" and impacting on the price of agricultural products.

The US, EU, Australian, Swiss and Canadian delegations are active participants in the above two forms of negotiations.

- Bilateral negotiations on market access for goods, as a result of which Kazakhstan will bind its import duty rates for both agricultural and non-agricultural goods imported from WTO member-states.

- Bilateral negotiations on market access for services, as a result of which Kazakhstan will undertake specific commitments in terms of market access for foreign suppliers of services, such as financial, construction, telecommunication, legal and other types of services.

Kazakhstan has signed protocols concluding bilateral negotiations with 20 WTO member-states including Oman, Pakistan, Turkey, China, Georgia, Kyrgyzstan, South Korea, Cuba, Mexico, Japan, Norway, Honduras, the Dominican Republic, Bulgaria, Switzerland, Egypt, Israel, Brasilia, Malaysia and Canada .

2. Progress made in addressing systemic issues

Within the framework of multilateral negotiations on systemic issues, the following steps were undertaken.

a. In accordance with the new Law of the Republic of Kazakhstan "On Currency Regulation and Currency Control" of 13 June 2005, the currency regime has been significantly liberalized. Most notably, as of 1 January 2007, the licensing requirement for capital account transactions has been removed. It should be noted, however, that Kazakhstan has never applied any limitations with regard to capital inflow to the national economy.

As an alternative mechanism replacing the licensing requirement, as of 1 January 2007, Kazakhstan is applying registration and notification requirements for currency transactions with the sole purpose of maintaining accurate balance of payment, foreign investment, and foreign debt statistics. Hence, the registration and notification requirements will not be of a "permission requirement" nature.

As for further liberalization of currency market Kazakhstan plans to remove licensing requirement for retail trade and rendering of services for cash transactions in foreign currency.

b. In accordance with the WTO Agreement on Technical Barriers to Trade (TBT), the Technical Regulations Law of November 2005 introduced the mandatory nature of technical regulations and voluntary nature of standards, providing the legislative basis for developing an international system of technical regulations and standards. According to the Law, both technical regulations and standards are applied equally, regardless of the origin of a product or service. In December 2006 the Law adding amendments to the existing 33 laws on technical regulations in various sectors (fire safety, construction safety, and others) was signed by President Nazarbayev.

In 2007, within the framework of further implementation of laws on technical regulations, laws on Food Safety, on the Safety of Machinery and Other Equipment, On the Safety of Chemical Products, and On Toy Safety were passed. The main purpose of implementing the laws is to provide production safety, people's health and environmental protection safety as well as the establishment of technical requirements of safety.

c. In accordance with the WTO Agreement on Sanitary and Phytosanitary Measures (SPS), amendments were made to national legislation on veterinary, plant quarantine and sanitary-epidemiological measures. For example, Kazakhstan ensured that its veterinary measures were based on an assessment of risks to human and animal life or health, taking into account available scientific evidence. Where relevant scientific evidence was insufficient, Kazakhstan could provisionally adopt sanitary or phytosanitary measures on the basis of the available information, including from relevant international organizations.

d. It should be noted that Kazakhstan has brought its national legislation into compliance with the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS). In particular: Amendments have been made to the Criminal and Administrative Codes of the Republic of Kazakhstan to increase responsibility for violation of the intellectual property rights through stricter penalty sanctions.

In April 2004, Kazakhstan acceded to the World Intellectual Property Organization's (WIPO) Copyright Treaty and the Performances and Phonograms Treaty (so-called "internet treaties"). Amendments were made to several national laws in June 2004 to ensure retroactive protection of intellectual property rights (IPRs) in accordance with the Berne Convention for the Protection of Literary and Artistic Works. To prevent the import of counterfeit products to and from Kazakhstan and to enforce domestic trade regulation measures, the Government of Kazakhstan has adopted Rules on Trade of Audio, Audiovisual and Software Products and Data Bases.

In November 2005, amendments were made to 11 laws regulating intellectual property rights protection. In accordance with Article 61 of the TRIPS agreement, the amendments introduced into Kazakhstan's Criminal and Administrative Procedural Codes are called to increase responsibility for violation of intellectual property rights through strengthening the penalty sanctions. The Criminal Procedural Code was amended to ensure the ability to launch criminal proceedings for infringement of intellectual property rights without a formal complaint. Unlawful purchase, storage and transportation has been criminalized. In order to protect proprietary information, Kazakhstan has amended the relevant regulations for registering pharmaceuticals and agrochemical products. It should be noted that we fully recognize that having the proper legislation and IPR policy in place is only a first step and the challenge for Kazakhstan as for many other WTO member-states, is on the enforcement side. I want to assure you that the Government is making every effort to strengthen enforcement, and to raise public awareness of IPR issues.

e. In accordance with the General Agreement on Tariffs and Trade (GATT) provision of the WTO to gradually eliminate quantitative restrictions and other measures:

A quota on imported ethyl spirit and alcoholic beverages products was eliminated in June 2004; Export bans on aluminum and nickel waste and scrap was abolished in December 2004;

and As of March 2006, export prohibitions on mazut and diesel during the agriculture season in support of local farmers was discontinued.

f. In accordance with WTO Agreements on Rules of Origin and Customs Valuation, in June 2005, the Government introduced changes to the Customs Code ensuring that the country of origin may only designate a country, group of countries or a custom unions (not parts of a country).

To address concerns raised by some WP members in January 2007, the Customs Code of Kazakhstan was amended and signed by President Nazarbayev. This law will: Eliminate use of the double MFN rate of Duty applied to goods of unknown origin; Introduce an amendment to Article 42 of the Customs Code to ensure full compliance with Article 2 (h) and Annex II, paragraph 3 (d) of the WTO Agreement on Rules of Origin. This Amendment will also clearly stipulate that the preliminary decision will be applicable to both preferential and non-preferential trade; Introduce Interpretative Notes to the WTO Customs Valuation Agreement as integral part of the Article 307 of Kazakhstan's Customs Code.

g. In order to comply with WTO Agreements on safeguards, anti-dumping, subsidies, and countervailing measures, the necessary amendments to national legislation on trade remedy measures have been introduced. In particular, the definitions of "subsidy" and "domestic industry" have been modified, and the meaning of normal value in conducting anti-dumping investigations has been introduced. Investigation procedures have been brought into conformity with WTO norms to ensure transparency and mechanisms for consultations with the concerned parties.

h. Changes have been made to the Tax Code to align government policy to develop priority sectors of the economy with WTO norms. In addition, current excise tax regime for alcoholic beverages and tobacco products will be unified to conform to WTO non-discrimination and national regime principles.

The laws establishing special economic zones in Kazakhstan are being scrutinized by WTO member-states for compliance with WTO norms regarding subsidies to non-agricultural industries. It should be stressed that preferences in these zones will be available to both domestic and foreign investors.

i. Lastly, in accordance with a key WTO principle - transparency in developing and implementing economic and trade policies, Kazakhstan has adopted a new methodology for calculating fees for services applied to customs escort, import licensing and registration of legal entities. The new methodology will ensure that these fees reflect the real cost of services rendered.

3. Liberalization of key service sectors

The gradual liberalization of key sectors of the economy is proceeding together with Kazakhstan's bilateral negotiations on access to the services market. For example: Amendments made to Kazakhstan's legislation on licensing and consolidated supervision of financial services envisage eliminating existing requirements that:

- (i) the total paid-up capital of banks with foreign participation not exceed 50 percent of the aggregate paid-up capital of all banks in Kazakhstan;
- (ii) the total paid-up capital of insurance companies with foreign participation, providing general and life insurance services shall not exceed 25 and 50 percent of the aggregate paid-up capital of general and life insurance companies respectively;

- (iii) at least seventy percent of employees of a bank shall be residents of Kazakhstan; and at least one member of the Board of Directors of a bank with foreign participation shall be a resident of Kazakhstan.

The Program to develop the telecommunications sector provides for creation of a competitive framework for the telecommunications market. The exclusive license for a national operator was eliminated on January 1, 2006. The 49% foreign-capital restriction for joint ventures supplying architectural, urban-planning, construction and engineering services has been eliminated. Legal entities of Kazakhstan with 100% foreign ownership will be allowed to provide those services.

Steps taken by the Government to liberalize the energy and transport sectors have also contributed to Kazakhstan's negotiations on access to the services market.

4. Conclusion

The process of Kazakhstan's accession to WTO represents a set of comprehensive reforms aimed at building sustainable market economy policies and institutions in the country. One of the major challenges still being addressed by the Government within the framework of the multilateral negotiations with WTO member-states is how to balance effective implementation of Kazakhstan's key economic priorities, economic diversification and development of processing industries with the country's commitments arising from WTO accession. We are carefully reviewing the policies and mechanisms applied by WTO member-states to facilitate development of "infant" industries, which supply new types of services and produce high value-added goods, in a WTO-consistent way.

Enhancement of customs administration and support to agricultural development are also among our key priorities. We fully recognize that we need to pursue further liberalization reforms in a systematic stage-by-stage manner in order to promote national economic interests. However, we also need to ensure that Kazakhstan's economic and trade policy and regulatory changes are backed by strong institutional and human capacity.

Kazakhstan has completed accession negotiations with 20 WTO members. Negotiations with the key WTO member-states are at the final stage. We plan to conclude bilateral talks with the USA by the end of 2008, with the EU in September 2008. Kazakhstan also hopes to make a "tangible progress" in separate multilateral WTO accession negotiations in the course of next year.



JSC “Center for Trade Policy Development” under the Ministry of Industry and Trade of the Republic of Kazakhstan

JSC “Center for Trade Policy Development” was established on June 30, 2006 to strengthen the negotiations process of Kazakhstan’s accession to the WTO

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JSC “Center for Trade Policy Development” (100% shares owned by the Government) is affiliated with the Ministry of Industry and Trade.

The main tasks of the Center are:

- analysis of economic consequences to Kazakhstan after accession to the WTO;
- consulting support in determining Kazakhstan's position in international trade negotiations;
- recommendations to the private and public sector of Kazakhstan on improving legislation in the sphere of external trade considering the WTO standards;
- general informational support to the Ministry of Industry and Trade on current system of international trade and regulation;
- recommendations to the Ministry on general trade regime considering the WTO standards.

WORLD BANK'S PROGRAMS IN KAZAKHSTAN



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The World Bank's mission in Kazakhstan is to support the country's efforts to achieve long-term economic growth that translates into more jobs and better social services for all citizens. The mission is done through project financing, analysis and advice that support the country's development agenda.

Kazakhstan joined the World Bank in July 1992. In the first few years after independence, the World Bank focused on helping the country to implement financial and private sector reforms. After 1997, the focus shifted to public administration reform, with specific attention on improving the country's welfare and social protection policies. At present, the World Bank is assisting the country with reforming agriculture, protecting the environment, upgrading infrastructure, with the aim of fostering sustainable economic growth.

Recent economic performance

During 2007, the non-tradable sectors of the economy (construction, finance) became increasingly heated, reflecting extremely rapid growth in foreign borrowing and commercial credit expansion. In the second half of 2007 the US mortgage crisis that affected financial systems worldwide has reached Kazakhstan as well. Foreign borrowing has become more limited and expensive.

The credit and construction expansion in the country has slowed considerably, implying that economic growth may be slowing as well (roughly half of GDP growth in recent two years was due to finance and construction sectors). The National Bank spent around 1/4 of its reserves defending the Tenge in August-October 2007. Much more modest capital inflows could drive the Kazakhstan balance of payments into deficit.

Supply-side constraints are also increasingly binding on growth. There are clear shortages of labor at many skill levels. Infrastructure inadequacy and bottlenecks are becoming more apparent in such forms as frequent blackouts and traffic jams in large cities. Regions outside of the two main cities and resource-rich areas may be falling behind in growth and development.

Challenges ahead

Despite major achievements, the following issues still need to be addressed:

- *Managing oil revenues effectively.* Good management of oil revenues and sound public spending are essential to improving competitiveness and productivity. Oil flows need to be managed to avoid inflation as well as to develop the non-oil sector.
- *Diversifying the economy by improving the business environment.* The country needs to attract private investment, both foreign and domestic, into non-extractive industries to increase job opportunities and incomes. To lower investment risks and the cost of doing business, red tape and rent-seeking behaviors such as licensing and inspections must be reduced, and reform of key institutions such as the tax and customs administrations must continue.

- *Building human capital.* Given the country's acute skills shortage, it is essential to invest in education and make the system more responsive to the needs of a market economy. It is also necessary to replace the quotas on the import of skilled foreign professionals by a system that attracts highly qualified labor.
- *Adopting a sound agricultural policy.* Adoption of a support policy that defines the degree and modalities of state intervention in agriculture is essential. Land restructuring and management will require significant attention. Policies to encourage the development of water-user associations and related water-management policies also need attention.
- *Developing institutions that can implement a sound spending policy.* The Government needs to bolster its capacity to conduct effective project analysis, evaluation, and design, and to implement targeted social assistance and sector development strategies.
- *Improving infrastructure for a better business environment.* Businesses can be helped to become more profitable if key infrastructure in telecommunications, roads, and irrigation facilities is improved.

Programs to date

The Bank assisted Kazakhstan in upgrading and modernizing the country's power transmission systems, helped increase agricultural productivity by rehabilitating deteriorating irrigation systems, and encouraged the rural community to diversify into non-traditional areas by nurturing their business skills. In addition, people in the country's western region, who have suffered from a shortage of good quality water, now enjoy better health as a result of improved water supply and sanitation.

Since 1992, total World Bank commitments to Kazakhstan have amounted to more than \$2 billion for 31 projects. In fiscal year 2008, the commitments to Kazakhstan totaled almost \$150 million, bringing total overall commitments for active projects to \$708 million.

Going forward

Given the country's reduced need for external financing, the World Bank program has shifted toward more focused investment loans, policy dialogue, and knowledge transfer. The second round of the three-year Joint Economic Research Program, an innovative mechanism for planning and financing analytical work, is currently being implemented by the Bank and the Government of Kazakhstan under a cost-sharing arrangement.

The Bank's Country Partnership Strategy (CPS) with Kazakhstan is built on the lessons learned in earlier years and on renewed efforts to strengthen the policy dialogue.

Current Bank's strategy is focus on the following areas:

- *Prudently managing oil revenues and increasing public sector efficiency.* The National Fund of the Republic of Kazakhstan was established in 2000 to prudently manage oil revenues. The Government has since focused on the optimal size of the National Fund, as well as on the level of public spending and ways to increase its efficiency. The Bank is offering best-practice experience and analytic studies on oil-fund management to help the Government manage oil windfalls.
- *Strengthening the Government's capacity to identify and reduce barriers to businesses and private investors.* To ensure economic diversification, the government is committed to reducing the barriers for new businesses and to maintaining the country's liberal trade regime. WTO accession and greater regional cooperation, particularly in areas such as infrastructure as well as customs and trade facilitation, are seen as vehicles to help Kazakhstan's firms to link into the global marketplace.
- *Building the foundation for future competitiveness by investing in human capital and basic infrastructure.* Consensus has recently been reached in the Government that capital and labor productivity must be enhanced to achieve the country's long-term vision of development. With this aim, the Bank is helping the Government identify options for reforming railways, road management, telecommunications, and electricity markets.

Sustaining competitive growth through a focus on the environment. Kazakhstan inherited significant environmental liabilities related to past military, industrial, and mining activities. It also faces land degradation and desertification and water scarcity. The National Environmental Action Plan for Sustainable Development prepared in 1999 sets out remedial investments that are now being undertaken by the government. The World Bank supports the Government's activities through the implementation of four ecological projects that address the management of dry lands, preservation of the northern part of the Aral Sea, cleaning up the pollution of river and underground water, and industrial waste treatment.

World Bank Partners in Kazakhstan

The World Bank works in close coordination with members of the government, civil society, community leaders, and other international donor organizations for providing the most effective assistance to the country.

The following chart highlights some of the priority areas and the organizations the World Bank coordinates with to improve development in the country.

Sector	National Implementing Agency	Partners
Agriculture	Ministry of Agriculture	USAID, TACIS
Natural Resources	Ministry of Natural Resources and Environment Protection	UNDP, bilateral donors
Public Administration	Ministry of Finance, National Agency on Public Service Affairs	USAID, UNDP, TACIS
Road Sector	Ministry of Transport and Communications	ADB, EBRD, TACIS, IDB, KFW, UNDP
Social Sector	National Agency on Statistics	
Water Sector	Committee for Water Resources under MNREP	ADB, DFID

AVOIDING “THE OIL CURSE” - THE STRATEGY OF KAZAKHSTAN ON NEW INDUSTRIAL DEVELOPMENT AND INNOVATIONS AND TO JOIN THE WORLD’S 50 MOST COMPETITIVE NATIONS FOR THE YEARS 2003-2015

New development institutions of 2003 and the National Oil Fund of Kazakhstan

From the very outset the Government of independent Kazakhstan have sought **to lay the foundations of a market economy, civil society and democracy** – simultaneously through pursuing economic growth and rising living standards whilst maintaining stability.³ It clearly understood that without all three there was little realistic expectation that newly won freedom could be preserved.

Of course, it had to rely on rich energy resources and spared no effort to ensure speedy development of this sector of the economy. **But there was an early understanding that the oil could become a curse unless proper policies are developed, that oil is an opportunity, not a guarantee of economic success.**

At the beginning of 2003 the Government of Kazakhstan has adopted **The Innovative Industrial Development Strategy for the years 2003-2015** (New Industrial Development Strategy). The Strategy came at the time when basic economic reforms have been completed successfully replacing the old system of economic relations with market economy. In the first decade of its independence Kazakhstan was successful in fostering market-based institutions, the country’s energy industry saw a rapid growth and the banking sector has taken the leading positions within the CIS countries. In the last seven years Kazakhstan’s GDP grew by more than 75% and it is the leader within the CIS on inbound foreign direct investments per capita. From 1993 to 2007 Kazakhstan has attracted about **USD 70 bln. of FDI**s (in 2006 – USD 10,4 bln., in 2007 – USD 17,4 bln.). It has been recognised by the leading industrial nations (US and EU) as a country with market economy.

However, being aware of the economy’s heavy reliance on the energy and minerals sectors the Kazakh Government adopted an **ambitious three-stage New Industrial Development Strategy to ensure sustainable development of the domestic economy through its genuine diversification, creation of new competitive industries, modernisation and expansion of the existing infrastructure with the ultimate goal of moving from an extraction-based industry to a service and technology based economy.**

On top of the successfully operating **National Oil Fund** (see next section on p. 87) and **Development Bank of Kazakhstan** (first ever institution of the sort in the FSU) established back in 2000 and 2001 respectively **new development institutions have been established in 2003 within the Strategy**, all deriving millions of dollars from oil revenues⁴ (*this is apart from US\$ 1.5 bln. set aside by the Government in the state budget from oil revenues for 2003-2005 to implement two more programmes – for further agricultural reform and for rural development*). These new institutions are - **the Investment Fund, Innovation Fund, Export Credit Corporation, Entrepreneurship Development Fund “Damu”, The Regional Financial Centre of Almaty, National Science and Technology Holding Company “Samghau”, “Kazyna” Sustainable Development Fund, Corporation for Export Development and Promotion, Kazakhstan Holding for the Management of State Assets “Samruk” and National Agricultural Holding “KazAgro”.**

In general, the development institutions should form a unified system, the sustainable functioning of which will be based on the principles of decentralization, specialisation, competition and transparency.

Following is the brief overview of these institutions.

³ “Oil&Gas Kazakhstan on the way of economic diversification”, KazEnergy Magazine

⁴ “Oil&Gas Kazakhstan on the way of economic diversification”, KazEnergy Magazine

NATIONAL OIL FUND OF KAZAKHSTAN (www.nationalfund.kz)

The National Oil Fund of Kazakhstan is managed by the Ministry of Finance of the Republic of Kazakhstan (www.minfin.kz)

Perspectives on the Kazakh Oil Fund: Lessons from the Norway Oil Fund

Important producers

- Norway is one of the largest oil and gas exporters in the world
- Kazakhstan's production is growing fast

Oil Funds

- **Kazakhstan**

(Est. 2000, Worth by 2008—\$21 bln., 20% of GDP)

Goals:

1. Ensure stable social and economic development of the country
2. Accumulate financial resources for future generations
3. Reduce the economy's susceptibility to unfavourable external factors

- **Norway**

(Est. 1990, Worth - \$82B)

Goals:

1. Financial buffer to smooth short-term variations in oil revenues
2. Mechanism to cope with long-term challenge of funding pensions in the face of declining oil revenues

Oil Funds

- **Kazakhstan**

Funded by proceeds from oil royalties, the sale of mineral assets and privatization

- Operations require annual **approval by Parliament**
- Assets held at the National Bank of Kazakhstan and managed according to Ministry of Finance guidelines
- **Oversight** by a Management Council formed by the President, the Prime Minister, **and members of Parliament, with an annual independent audit**

- **Norway**

Income sources: central government cash flow from petroleum activities and return on invested capital

- Distribution: only for transfers to government fiscal budget with approval of Norwegian Parliament
- Managed by Norwegian Central Bank according to Ministry of Finance guidelines
- 60% of investments in bonds, 40% in equities. 50% in Europe, 30% in Americas, 20% in Asia

The National Fund is believed to be very sizeable financial cushion making the country's budget much less dependent on the oil conjuncture and more protected against external shocks. The important reason for the National Oil Fund is to reduce Kazakhstan's exposure to price fluctuations for energy and commodity exports.

Previously, the fund had been kept in dollars, but now its currency structure has been diversified.

Fund's structure: 48.5% is kept in dollars, 27.85% in euros, 10.1% in pounds sterling and 8.75% in yens. Altogether the fund composition includes 15 currencies. 54% of the fund is managed by the NBK while the rest is under external management.

Samruk, Kazyna, RFCA and Samghau - institutions to foster further diversified growth

In 2007 the Government continued to strengthen the institutional basis for further implementation of the **Innovative Industrial Development Strategy** and **sharpening the country's competitive edge** in a fast globalizing world economy: the “**Samghau**” **National Science and Technology Holding Company** was established, complementing so called Kazakhstan's “Troika”, established in 2006 (the “**Samruk**” state-holding company, the “**Kazyna**” sustainable development fund and the **Regional Financial Centre, Almaty (RFCA)**).

The activity of these institutions is based on the principles and the **culture of corporate governance, greater transparency; accountability** as well as widest possible introduction and **use of international technical, financial and business standards**. All these criterias have been identified as the key drivers to successfully implement the **diversification strategy to join the world's 50 most competitive nations** in ten years time.

Following are the highlights of the above institutions.



JSC Kazakhstan Holding for the Management of State Assets SAMRUK

*In Kazakh mythology Samruk is a legendary bird of revival,
equal to Phoenix*



Mr. Kanat Bozumbayev
CEO



Sir Richard Evans,
Chairman of the Board

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Samruk, a state-holding company headquartered in Astana, was created by Presidential Decree on January 28, 2006. The following month **McKinsey & Company** was hired to provide leadership and guidance for Samruk's operations. The single shareholder of JSC Kazakhstan Holding Samruk is the **Ministry of Economy and Budget Planning**. A Board of Directors was created for Samruk consisting of a Chairman (an independent non-executive director from the UK), another independent non-executive director from Kazakhstan, the Minister of Economy and Budget Planning, the Minister of Energy and Mineral Resources, and the CEO of Samruk Holdings. **Sir Richard Evans** – a former CEO of BAE Systems was appointed as **the Chairman**.

The major challenge facing Samruk was to maximize the long-term value of state-owned companies by **improving corporate governance and bringing it up to international standards**. To achieve this, McKinsey & Company:

- analyzed 13 similar state-holding companies or state-asset management agencies;
- surveyed the activities of Kazakhstan's national companies;
- developed the concept for Kazakhstan's state-holding companies.



Holding's Objectives



3

In order to achieve these objectives, Samruk's methods are the following:

- active participation by Samruk in the Boards of Directors of national companies;
- active participation by Samruk in national companies' planning and reporting processes.

The following **management tools** were created for Samruk as it set out to evaluate and, where necessary, change corporate governance at Kazakhstan's national companies:

- presiding over or participating in the Boards of Directors of national companies;
- setting and monitoring ambitious short-term (1 year), medium-term (3 years), and long-term (5 years) development targets;
- reviewing, approving, and monitoring regulatory compliance;
- selecting, assessing, and motivating top managers at the national companies;
- controlling internal audit services and monitoring selection and performance of external auditors;
- supporting government institutions in the task of improving Kazakhstan's corporate governance code.

One of the most tangible results of good corporate governance is the close correlation between the quality of corporate governance as perceived by the market and the respective JSC's market capitalization. The 'Governance Premium', that is, the average premium investors are willing to pay for a well-governed company, has been evaluated on a percentage scale for the following countries: International practice has thus demonstrated that applying best-practice corporate governance is one of the key tools for creating shareholder value, an important motivation to strengthen corporate governance practices for Kazakhstan's national companies.

The Samruk concept of key aspects of corporate governance may be outlined as the following:

- corporate governance involves a set of relationships between a company's management, its Board, its shareholders, and other stakeholders;
- corporate governance also provides the structure through which a company's objectives are set, and the means of attaining those objectives and monitoring performance are determined;
- there is no single model of corporate governance, but all systems of corporate governance focus on such key aspects as:
 - the rights of shareholders, equitable treatment of shareholders;
 - disclosure and transparency;
 - Board responsibilities.

Two of the leading international sets of standards for corporate governance have been provided by the OECD and the UK, which were instrumental in drawing up the Samruk model that has been applied to Kazakhstan's national companies; a work in progress. The Kazakhstan **Code of Corporate Governance** formalized on February 21, 2005, (the year before the creation of Samruk) provides a model with which all companies listed on the Kazakhstan Stock Exchange are obliged to comply. Its basic principles correspond to international standards, but require further elaboration:

- protection of shareholders' rights;
- effective company management by the Board and executive body;
- transparency and objectivity of disclosed information about company activity;
- lawfulness and ethics;
- effective dividend policy;
- effective personnel policy;
- preservation of the environment;
- a policy to regulate corporate conflicts.

As a case study, Samruk tackled internal governance issues at KMG Exploration and Production before its flotation according to the 2005 Ernst & Young analysis disclosing that E&P would not satisfy international investor requirements for LSE-listed companies. Major discrepancies were:

- Financial reporting was only in line with Kazakhstan's accounting standards;
- budgeting was only in line with Kazakhstan's accounting standards and was not consolidated;
- no monthly management report was compiled;
- E&P was operationally dependent on KazMunaiGas (its parent company);
- the relationship with KazMunaiGas was not formalized;
- a considerable number of related-party transactions;
- use of unlicensed software;
- risk management was insufficient;
- internal audit functions were limited.

Considerable resources were brought to bear under Samruk leadership to restructure the E&P corporate governance structure to better prepare it for the London IPO. As noted above, the successful flotation of 40% of E&P took place in London and Kazakhstan in October 2006, raising more than US\$ 3 billion - a successful IPO by any standards.

Beyond the E&P case study, Samruk has introduced the following internal governance changes at Kazakhstan's state-owned enterprises:

- the institute of independent non-executive directors has been firmly established in all State-Owned Enterprises (SOE) boards;
- audit committees have been established within each Board of Directors in all SOEs;
- internal audit services accountable to the Boards of Directors have been established within SOEs;
- a dividend policy has been agreed upon with all SOEs;
- appointment and remuneration committees have been established within each Board of Directors;
- the accounting and risk management systems in the SOEs were evaluated by external advisors;
- a tailor-made performance evaluation system for each SOE is being jointly developed with external advisors.

Samruk has made an impressive start in its first year of existence, demonstrating the wisdom of adopting a professional approach based on international best practices towards

reforming corporate governance standards at Kazakhstan's state-owned companies, major conglomerates with heavy impact on the country's economy. As Kazakhstan positions itself for WTO accession in 2008 and for entrance into the world's 50 most competitive economies, corporate governance will be a vital element in meeting these ambitious economic targets.

Samruk was officially presented to the UK business community by its former CEO Mr Sauat Mynbayev at the Mansion House during President Nazarbayev's official visit to the United Kingdom in November 2006.

List of companies that form Samruk:

		<i>State Share</i>
	JSC "National Company KazMunayGas"	100%
	JSC "National Company "Kazakhstan Temir Zholy"	100%
	JSC "KEGOC"	100%
	JSC "Kazpost"	100%
	JSC "Kazakhtelecom"	51 % voting shares

Other assets:

Power generation & distribution

JSC «KazKuat»	100,00%
JSC «Ekibastus Energy Centre»	100,00%
JSC «Chokin Kazakh Research Institute of the Power Sector»	50,00%
JSC «Kazakhstan Operator of Electric Energy & Power Market»	100,00%
JSC «Mangistauskaya Electrical Distribution & Grid Company»	94,25%
JSC «Shulbinskaya Hydro Power Station»	92,13%
JSC «Bukhtarminskaya Hydro Power Station»	90,00%
JSC «Ust-Kamenogorskaya Hydro Power Station»	89,99%

Transportation

JSC «Airport Pavlodar»	100,00%
JSC «International Airport Aktobe»	100,00%
JSC «Air Astana»	51%
JSC «National Sea Shipping Company «KazMorTransFlot»	50,00%

Mining & metals

JSC «Maikainezoloto»	25,00%
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Engineering

JSC «National Company «Kazakhstan Engineering»	100,00%
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Sustainable Development Fund KAZYNA

Kazyna – a Kazakh word for treasure or treasury

Astana “Kazyna Tower” building

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Sustainable Development Fund “Kazyna” was created in April 2006 with the purpose to increase and stimulate investment and innovation activities. Kazyna is pursuing a two-pronged strategy: one to build on Kazakhstan’s industrial capacities; the other is to develop innovation and hi-tech activities which will create value-added products.

As part of the long-term programme out-lined by the **Innovative Industrial Development Strategy 2015** Kazyna was established as an “umbrella” holding company and principal shareholder in eight **development institutions**.

The first of these is the **Development Bank of Kazakhstan** which provides both short and long-term loans. The principal aim of this institution is to provide credits strictly focused on social areas. The best way, of course, is to be similar to the bench mark such as EBRD, but locally. Other institutions under this umbrella include the **National Innovation Fund** which is focused on grants for R&D and venture funding, or the **Investment Fund**’s equity injection into suitable projects, through to dedicated ‘think-tanks’ on creating institutional mechanism of export development and promotion like CEDP (**Corporation for export development and promotion**).

Other key agencies include the **Entrepreneurship Development Fund “Damu”**, which provides loans for the many small and medium-sized enterprises that remain an essential part of economic activity and employment in Kazakhstan, and the more outward-looking **KazInvest** which furnishes information and assistance to potential investors. Kazyna’s capabilities are rounded off by the **State Insurance Corporation**’s arranging terms for Kazakh exporters and investors alike.

As with Samruk, Kazyna’s board of directors is to provide a mechanism for managing these different institutions, avoiding overlaps and deciding on key appointments and remuneration packages. On the other hand, each of these entities will retain independence in its day-to-day operations.

By using oil revenues to build an ‘an innovation infrastructure’, Kazakhstan can ‘leapfrog’ the normal development cycle and move directly to hi-tech enterprises. **The National Innovation Fund** is tasked with creating the necessary innovation infrastructure, such as the **IT Park in Alatau** or **“Start-up Kazakhstan” projects aimed on development of university business incubators** . But an innovation economy also requires a broader industrial base. The approach adopted so far has been to identify **seven pilot clusters of economic activity** where Kazakhstan has certain competitive advantages, and to develop these on a sustainable basis (**services and machinery for the oil & gas industry, construction, metallurgical sector, food processing, textiles, tourism, transshipment and logistics**).

Mission - Effectively manage state investments to diversify and increase competitiveness of economy of the Republic of Kazakhstan.

Strategy - Identification and implementation of investment projects in non-extractive sector through coordination of National Development Institutions

For more information on Kazyna please visit www.kazyna.kz

“KAZYNA” RUN DEVELOPMENT INSTITUTIONS OF KAZAKHSTAN



Development Bank of Kazakhstan

Development Bank of Kazakhstan was formed on April 25, 2001. It has an authorised capital of KZT (tenge) 71,5 bln. (approx. US \$ 586 mln.).

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The main task of the DBK is financial support for the initiatives of the private sector and state (infrastructural projects) by lending long- and short-term low interest loans, including export credits, as well as by issuing guarantees on the loans and credits being granted by other credit institutions.

The significance of DBK is explained by the fact that the financial system cannot ensure long-term and low interest loans to the economy in view of significant risks and necessity of lowering the interest rates in the banking sector. As the private sector becomes fully capable to cope with such functions, the Development Bank of Kazakhstan will be focusing its activity mainly on the infrastructural, social and regional projects.

A decision on giving financial support is made after a comprehensive analysis on the methodology - the Chain of added value (CAV), and finding more significant elements of the chain. Analysis on CAV assessment also concentrates on the technological and other important elements of the project. One of the main criteria of the projects' evaluation is their commercial viability.

The Bank carries out its projects within and without Kazakhstan and as of December 2006, supervised 86 projects worldwide with total amount of 2 bln USD of which 808 mln from its own funds.



Investment Fund of Kazakhstan

Investment fund of Kazakhstan was formed in May 2003. It has an authorised capital of KZT (tenge) 37,9 bln. (approx. US \$ 296 mln.).

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The aim of the Investment Fund of Kazakhstan (IFK) is to lend financial support to the initiatives of the private sector in the economy's non-mineral sector by taking part in the authorised capital (having shares or non-control packages) of the enterprises in Kazakhstan as well as abroad.

A decision on giving financial support is made after a comprehensive analysis on the methodology - the Chain of added value (CAV), and finding more significant elements of the

chain. If the results of CAV analyses show the necessity and viability of the project then it is given encouragement. One of the main criteria for projects' evaluation is their commercial viability.

While considering a project the experts take into account whether the project leads to creation of an enterprise which produces products competitive in the external markets and capable of replacing imported goods. The analyses mainly focus on the initiatives of the private sector with respect to the economy's non-mineral sector.

In order to make the projects' financing easier in case of shortage of finances in the private sector IFK makes co-financing by taking part in the authorised capital (purchase of shares), but without acquiring a control package. Moreover, it should be stipulated that the state package will be sold once the project has been realised.

It gives IFK opportunity to facilitate not only to the creation of new industries, including high tech enterprises, but also development of the securities market.

The Fund is currently searching opportunities for establishing relations and developing ways for enhancing partnerships with highly reputable strategic investors and private equity funds interested in emerging markets.



National Innovation Fund

The Innovation Fund of Kazakhstan was formed in May 2003. It has an authorised capital of KZT (tenge) 9.5 bln. (approx. US \$ 68 mln.).

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The Innovation Fund is to stimulate the venturing function of the market economy which does not exist even in all of the developed countries. This function is important for the creation and development of high tech fields of economy such as IT, electronics, biotechnology and others. Thus the main aim of the Fund's activity has to be facilitation of the growth of innovative activities, development of high tech industries in the Republic of Kazakhstan.

The efforts of IF are aimed at encouraging and development of infrastructure for innovations.

As the domestic venture capital comes into existence and grows, IF will reduce the scale of its activities on financing venture projects and focus on strengthening the innovative infrastructure and financing applied scientific researches.

The main tasks of the Fund are:

- participation in creating the elements of infrastructure for innovations (technical policies and science parks, informational and analytical centres, etc.);
- creation of venture funds together with domestic and large international venture investors;
- participation in the authorised capital of new or existing enterprises with the aim to manufacture high tech products and develop new technologies;
- financing of certain types of Research and Development aimed at creating new technologies, products, services which are commercially viable and may have a positive impact on the technological advancement of the country.

A decision on issuing grants by IF is taken after holding an independent scientific and technical expertise with involvement of foreign experts. Scientific researches, which have been selected for financing, have to be up to the projects within the framework of financing via the Investment Fund of Kazakhstan and Development Bank of Kazakhstan.



Export Credit Corporation

(State Insurance Corporation for the Insurance of Export Credit and Investment)

Export Credit Corporation was formed on August 8, 2003. It has an authorised capital of KZT (tenge) 7.7 bln. (approx. US \$ 63 mln.).

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The main task of the Export Credit Corporation is facilitation to the export of goods and services of Kazakhstani producers by insuring and reinsuring from political and regulatory risks. The Corporation holds marketing researches for the development of Kazakh goods export, studies and distributes information on potential export markets. Such an export promoting tool is widely recognised in the world and it is to make easier export transactions from financial and administrative viewpoints. As the domestic insurance market grows and it becomes ready to cover risks connected with export and import operations, the Export Credit Corporation will focus its activity on insuring from political risks and distribution of commercial information on the international markets.



KazInvest

Kazakhstan Investment Promotion Centre

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Kazinvest is a state centre that assists investments in Kazakhstan. The founding of Kazinvest was one of the elements of the Government policy aimed at encouraging an investment inflow in the economy and creating a favourable investment climate.

KazInvest's objective is to create an efficient mechanism for informing potential investors of investment opportunities existing in Kazakhstan, and to provide practical assistance to foreign and domestic companies in implementing investment projects.

Kazinvest is a state company founded in order to encourage and promote investment. We have acted as a reliable guide for investors and a bridge between business and the state for more than eight years. Kazinvest has been a member of Kazyna Sustainable Development Foundation since 2006.

Corporation for export development and promotion

The Corporation for export development and promotion was formed on February 20, 2008 on basis of the Centre for Market Research and Analysis of Kazakhstan. It has an authorised capital of KZT (tenge) 2.83 bln. (approx. US \$ 23.5 mln.).

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The key objective of the Corporation is to be a driving force in creating institutional mechanism of export development and promotion. The corporation will point out at development of ability to export or meet international requirements especially in the first years. Thus, not only target audience of the Corporation should be involved but also enterprises which are potentially capable or wishing to export. In addition, the Corporation will be in close cooperation with other private businesses and public organizations which activity impacts the export development. They are as follows: state bodies, consulting companies, laboratories, educational institutions, transport organizations, etc. Activity of the Corporation will be aimed at:

- Rendering services in developing ability of non-resource enterprises to export (training, technical assistance, trading information, the information on trading financing, logistic, customs procedures, packing, etc.; general marketing researches, etc.);
- Development of institutional potential (building of ideology transparency; recommendations on how to improve trading procedures, administration of business doing-related state services; forming of a cooperation link between trade support participants network; development of trade competence; publications to provide assistance to exporters);
- Rendering services to provide assistance to laboratories on international recognition of competence;
- Promotion of Kazakhstan products export (establishment and maintenance of cooperation with other countries; exhibitions; support in accessing external markets).



Kazyna Capital Management

“Kazyna Capital Management” was formed on March 2007

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The “Kazyna Capital Management” is aimed on boosting of general investment and innovative activity in the country through investment assignments to national and overseas direct

investment funds, including infrastructure funds, venture capital funds and portfolio investments funds.

The key objective of “Kazyna Capital Investment” is foundation of Private Equity Funds (PEF) jointly with overseas funds to finance different projects especially aimed on Kazakhstan and Central Asian.



Entrepreneurship Development Fund “Damu”

EDF “Damu” started operating on August 18, 1997

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The major goal of the Fund is to encourage the establishment and economic growth of the Kazakh small businesses and better spend money the government allocates to support small businesses.

Until November 2007 the Small Entrepreneurship Development Fund accomplished its major goal by taking the following actions:

- Developing project financing: Direct loans to small businesses operating in priority sectors to diversify small businesses bearing in mind social and economic situation in certain areas;
- Developing financial leasing;
- Establishing a network of microfinancing institutions;
- Putting in place a system to guarantee liabilities of small businesses to commercial banks; and
- Giving advice to small businesses under programs to be implemented by the Fund.

Recently the Fund began working as part of the Sustainable Development Fund Kazyna. New principles and priorities of management and communications include transparency, professionalism and partnership.

Since late 2007 conceptual changes have been occurring in the Fund: The Fund has changed from the Small Entrepreneurship Development Fund into Entrepreneurship Development Fund Damu. Accordingly, it now has greater authority to support small and medium-sized businesses; the Fund is turning from a financial institution into operator to manage funds to be allocated by the government; new approaches are being taken to giving financial support to small and medium-sized businesses, assisting in collecting and analyzing data and providing consulting services to small and medium-sized businesses.



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Advisor to the President of Kazakhstan on RFCA



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Mr Oleg Zhelezko

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Mr. Oliver Hemsley,

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Mr. T. Kamarov

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Mr. Eldar Abdrazakov

Chairman of the Board of Directors of "Centras Securities"

Mr. Saken Seifullin
Chairman of the Board of "Seimar Alliance Financial Corporation"

Mr. Nurzhan Alimukhambetov

Deputy Chairman of the Board of Kazakhstan Halyk Bank APF JSC,
AFK Board member

Mr. S. Akhanov

Chairman of the Board of AFK

Kazakhstan's vision is to become the financial centre for Central Asia offering companies a diversified investment platform to raise equity finance on the national and international markets. With this aim on July 7th 2006 the Regional Financial Centre was established in Almaty, former capital and countries largest city, business and financial hub of the region.

The activities of the Regional Financial Centre of Almaty are aimed at developing the region's securities market and ensuring its integration with international capital markets, attracting international investment into the economy of Kazakhstan, and facilitating the investment of Kazakhstan's capital in foreign securities markets.

The Regional Financial Centre of Almaty City provides a special legal regime for registered market participants. The RFCA's special trading floor provides tax benefits and economic incentives to both Kazakhstan and foreign RFCA participants.

The RFCA has an **International Advisory Board** of local and foreign experts to advise on matters relating to strategy and development of the RFCA.

The Agency of the Republic of Kazakhstan on Regulation of Activities of the Regional Financial Center of Almaty City (RFCA) recognises rating issued by the following agencies: **Moody's Investors Service, Standard & Poor's and Fitch.**



London
STOCK EXCHANGE

On 21 November 2006 during the President Nazarbayev's official visit to the UK the RFCA and the London Stock exchange signed a co-operation agreement to formalise the existing strong ties between the two organizations.

Under the agreement, the Exchange and the RFCA will establish systems for regular meetings between senior executives and agree to exchange information. The agreement will assist in the development of the RFCA and will aim to promote international investor awareness of Kazakhstan and the central Asian region.

Tax benefits for RFCA participants

- Exempt from corporate income tax are:
 - Execution of securities deals on behalf of and for clients (broker services);
 - Nominal holding services;
 - Underwriter services;
 - Informational, analytical and consulting services;
 - Announcement and maintenance of securities prices.
- Exempt from corporate and individual income tax are:
 - Stock dividends and bond interest, on securities purchased on the Special Trading Floor;
 - Realized capital gains on securities listed on the special Trading Floor, provided such deals were made on the Special Trading Floor.

Special Financial court (Commercial court) was established within the RFCA with the support from the City of London.

