

6. 大統領教書

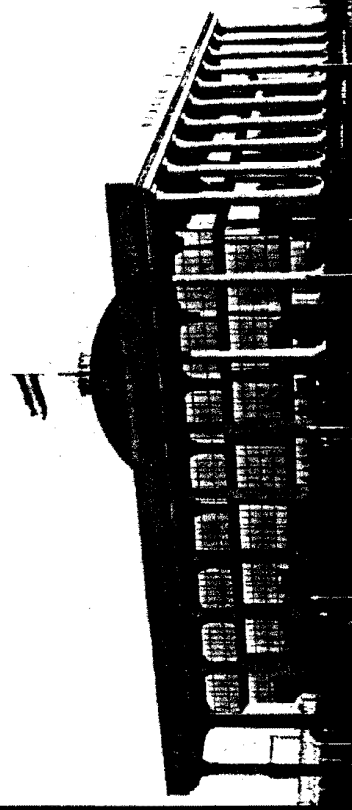
(Modernization of the Country and Building a Strong Civil Society is Our Main Priority-Islam Karimov)



**Islam Karimov**

**MODERNIZATION OF THE COUNTRY  
AND BUILDING A STRONG CIVIL  
SOCIETY IS OUR MAIN PRIORITY**

**OUR KEY TASK IS TO FURTHER  
DEVELOP THE COUNTRY AND  
INCREASE THE WELL BEING  
OF THE PEOPLE**





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Addresses at the Joint Session of the  
Legislative Chamber and Senate of Oliy Majlis of the  
Republic of Uzbekistan and at the Session of the  
Cabinet of Ministers of the Republic of Uzbekistan  
dedicated to the furtherance of the social and economic  
development of the country in 2009 and the most  
important priorities of the 2010 economic program

**Tashkent-2010**

**MODERNIZATION OF THE COUNTRY AND  
BUILDING A STRONG CIVIL SOCIETY IS OUR  
MAIN PRIORITY**

**Address by President Islam Karimov to the  
Republic of Uzbekistan's Oliy Majlis Legislative  
Chamber and Senate joint session**

Dear deputies!  
Distinguished senators!  
Dear friends!

It gives me enormous pleasure to cordially congratulate you on your well-deserved victory in the recent elections, which reflect the high level of trust the voters and population of the country have given to you.

Availing myself of this opportunity, I would like to express to all of you, the elected representatives of the people, my enormous respect and confidence.

I am convinced that the trust, which has rightly been rendered to you is first and foremost an expression of respect towards you personally, your knowledge, experience and selfless labor and above all, the concrete contribution, which each of you is making to the cause of further increasing the authority and the country's advancement as well as the well being and prosperity of our nation.

At the same time – this trust is also rendered to the political party, the public movement, which you represented in the general elections.



President of the Republic of Uzbekistan  
H.E. Mr. Islam Karimov

I would like to underscore time and again that this is, above all, a particular advance, which will need to be justified by each citizen at his place of work by concrete actions and an honest attitude towards fulfillment of your duties, which I hope you are realizing fully as the deputies of Oliy Majlis of the Republic of Uzbekistan.

I would like to draw your attention to yet another very important moment.

Your mandate is the authority of the Legislative Chamber and Senate, the embodiment of the nation's Parliament, and in the final analysis, the authority of our country.

Distinguished friends!

I think, today at our joint session of the Legislative Chamber and Senate of the Oliy Majlis, there is no need to go into detail about the elections to the Legislative Chamber, Jokargy Kenes of Karakalpakstan and the local Kengashes (Councils) that took place on 27 December 2009, as well as the runoff elections to those bodies on 10 January 2010.

Both relevant authorized institutions and observers from both inside the country as well as accredited organizations and observers from abroad have already provided both detailed and objective assessments of these elections.

Above all, the general state of voter activity, conditions of openness and transparency, the observance of domestic and international legislative norms and requirements, which occurred during the elections are noted in those assessments and commentaries, which became yet another confirmation of the truly enormous steps our society has made during previous years on the way towards a democratic transformation of our society, ensuring freedom of choice for everyone and towards establishing a strong civil society.

The fact that approximately 30 percent of the deputies of the Legislative Chamber and about 20 percent of the deputies who were elected to the local Kengashes went through the second round of voting speaks volumes above all about how the elections were democratic.

The elections demonstrated the high socio-political culture of the population, the growing level of its political and civil self-consciousness and its broad support for our progressive advancement along the way of both deepening reforming and modernizing the country.

Most importantly, the elections have once again demonstrated that all radical changes and transformations taking place in our state are a process, which has acquired an irreversible momentum.

There is another very important conclusion, which we need to make - these elections showed to what extent those timely decisions were right and efficient. In particular, we have adopted the Constitutional Law "On strengthening the role of political parties in the renewal and further democratization of state governance and modernization of the country" as well as implementing measures to ensure that the political parties as they participate and demonstrate their competence in the elections become in fact the decisive force of the deep transformations taking place in Uzbekistan.

I think I shall not be mistaken if I note that such elements made up the essence and main substance of these elections, and without any doubt, these factors will have considerable impact on raising the efficiency of the nation's parliamentary system.

Taking this opportunity, I would like to once again to congratulate and thank all our citizens and express my feelings of deep respect to the entire nation that our country has

successfully undergone this rigorous political process on the way towards building our deserved future.

Distinguished session participants!

Before starting to examine the issues related to the forthcoming activity of the newly elected Legislative Chamber and Senate, it gives me profound pleasure to express my sincere gratitude to the members of both chambers of the Oliy Majlis, who have deployed their powers for their work, for their honest labor, for their substantial contributions to consolidating the might of our country to elevate the prosperity and well being of our nation.

The activity of the country's bicameral parliament, elected for the first time in 2004, has coincided with an important period in our nation's life notable for its deep transformations and a dynamic process of consistent reformation and liberalizing of all spheres of the nation's political and socio-economic life along with its democratic renewal and modernization.

The previous Parliamentary session made an important contribution towards the resolving the priority tasks set before Uzbekistan by adopting more than 250 laws, which have had a profound impact in deepening the socio-political and socio-economic reforms underway in the country.

As we summarize these accomplishments it can be said today that the main legislative tasks in terms of establishing the Lower Chamber of Parliament as a permanently functioning professional body, which initiates and adopts laws, and the upper chamber – the Senate, as the body of territorial representation, which fully and comprehensively expresses the interests of regions, have been as a whole successfully fulfilled. The quality and soundness of the

legislative acts being passed have substantially improved. The balance and consistency of both national and regional interests is consequently being more effectively ensured.

The role and influence of political parties in the activities of the highest representative body of the country as well as the representative bodies of power at the local level have all substantially increased.

For the first time a parliamentary majority has been formed in the Legislative Chamber – the Democratic bloc, which has brought together factions of the Movement of Entrepreneurs and Businessmen - the Liberal-Democratic Party, the Democratic Party Milliy Tiklanish as well as the Social-Democratic Party Adolat. At the same time a parliamentary opposition has formed, represented by the Peoples-Democratic Party of Uzbekistan faction.

A special place was reserved in the legislative activity of the Oliy Majlis as regards developing legal support for the structural transformations occurring in the national economy as well as the further creation of a favorable investment climate, economic modernization along with the technical modernization of production, as well as developing country's banking and financial system.

During this period a complete package of legislative acts has been adopted, which envisages the consolidation of legal protection of private ownership, the establishment of a strong class of private ownership in the country, the consolidation of farming activity which can ensure the further liberalization of economy, the creation of favorable conditions for development of small businesses and entrepreneurs as well as the establishment of a ramified market infrastructure.

The most important remaining issues focus attention on efforts to ensure the continuous growth of the population's



incomes and well being along with the successful implementation of larger-scale social programs.

These and a whole range of other measures needing legislative support for economic reforms were promoted by creating the necessary legal foundation for the successful implementation of the 2009-2012 Anti-crisis program, whose measures are intended to minimize the negative consequences of the global financial and economic crisis. These have allowed Uzbekistan, along with a limited number of other countries, to provide for sustainable growth rates of economy and increase the real incomes of the population despite the global downturn.

The growth of the gross domestic product (GDP) in 2009, which was difficult in some respects, nevertheless rose 8.1 percent, while industrial production rose nine percent. The total amount of investments increased by 26 percent, including foreign investments, which rose 68 percent. All of these figures serve to confirm the soundness of the aforementioned program.

The positive balance in Uzbekistan's foreign trade turnover was more than \$2.3 billion, average salaries grew 40 percent and real incomes by 26.5 percent.

Parliament has substantially contributed to the large-scale work undertaken in the country by deeply reforming and liberalizing the judicial and legal system in order to ensure the independence of the judiciary on a practical level. Over the past five years 58 laws were adopted in accordance with further reforming of judicial-legal system. The reform of the country's system of criminal punishment has similarly been accomplished.

The role of lawyers in the country's legal system has also been reformed. The system of executing court decisions and activities of the prosecutor's office were improved, while a

number of other measures were undertaken with the aim of consistently democratizing the entire judicial and legal system.

The Law of the Republic of Uzbekistan on abolishing the death penalty in the country came into force on 1 January 2008. Along with the Law adopted in 2007 delegating the right to issue an arrest warrant from prosecutor's office to courts, both reforms drew a worldwide response. Following the introduction of said measures, Uzbekistan now has one of the most humane and liberal systems of criminal justice in the world.

Much has been accomplished in terms of strengthening and developing the institutions of civil society and developing an independent mass media – among the most important components of democratic reforms.

Over the past several years about ten legislative acts were adopted intended to further democratize and liberalize the mass media by increasing their activities in ensuring glasnost and the openness of socio-political and socio-economic reforms, which also introduced the latest information-communication technologies into the national media.

In July 2008 both chambers of the Oliy Majlis of the Republic of Uzbekistan adopted the joint resolution, "On measures to strengthen support of non-state non-profit organizations and other institutions of civil society." It became yet another important step on the way of consistently ensuring the independent development of NGOs and civil society institutions, strengthening their role and significance in the country's democratic renewal. The aforementioned joint resolution paved the way for the establishment of an independent system for financing the activity of NGOs and other institutions of civil society based on democratic principles.

Distinguished session participants!

Assessing the successes achieved thus far, I also consider it necessary to note the underutilized resources, shortcomings and lack of focus of some of the previous assembly's activities. This is especially important to do today, when the tasks and priorities for the Oliy Majlis for its upcoming five-year session are being defined.

First, it is necessary to admit that one of the major shortcomings in the activities of the previous Legislative Chamber was the lack of a deeply and comprehensively elaborated program of lawmaking designed for a long-term perspective, closely linked with the country's needs and course of socio-economic and socio-political reform. This was one of the reasons that laws were frequently adopted in a haphazard manner once they were introduced into the legislature.

Second, a serious shortcoming of the previous legislature was its passiveness and inadequate activity in terms of initiating and promoting laws vitally necessary for implementing the dynamically developing reforms in the economic, political and humanitarian spheres. During the last five years, of 297 draft laws introduced into the Legislative Chamber only 44 draft laws were initiated by deputies. In contrast, 42 draft laws were introduced directly by the President of the Republic of Uzbekistan, while more than 160 draft laws were introduced by the country's government, mostly in the framework of fulfilling the decrees and resolutions of the President of the Republic of Uzbekistan.

Third, the quality of the laws being adopted requires radical improvement. Most of them up to now have been

directed largely towards introducing amendments, clarifications and addenda to existing laws and were not of a codified nature. These draft laws included significant discrepancies, duplicating acts adopted earlier along with many merely procedural rules. The most significant legislative shortcoming was that the laws passed frequently lacked procedural mechanisms providing for implementing those acts and this, in turn, considerably complicated their subsequent application, as it led to the laws not being implemented and legal nihilism, as well as decreasing the efficiency of law-enforcement practices.

Fourth, the forms of deputy-led control and influence on improving law-enforcement practices as stipulated by law have been poorly used. Over the entire existence of the previous lower chamber only a few parliamentary investigations were undertaken, mostly focused on issues of introducing innovative technologies into production, the accelerated construction of chemical industrial enterprises and the manufacturing of new types of products.

Fifth, the systemic work of a member of parliament in his electoral district requires considerable improvement, which could allow him to explain to his constituents how the enacted legislation is working, determining what laws to enhance economic reconstruction are currently needed, what problems his voters find most pressing and what needs to be done to resolve them. Suffice it to say that "Procedures for organizing the activity of a deputy of the Legislative Chamber of Oliy Majlis of the Republic of Uzbekistan in his election district" legislation was drawn up and approved by the Legislative Chamber only in May 2008, i.e. in the fourth year of the last parliamentary session. The work itself was mainly related to holding meetings, which, as analysis reveals, frequently were merely of a formal nature and were

largely limited to answering incoming complaints and questions.

Sixth, especially in the day to day activity of the upper and lower chambers serious problems occurred, related mostly to the rising ambitions of both bodies, and those contradictions have negatively impacted both the quality and terms of adoption of legislative acts.

Briefly speaking, it was difficult overall to provide for the efficient functioning of each particular chamber as an independent and mandatory component of the legislative process of the Oliy Majlis - the highest legislative body of Uzbekistan.

It is fully natural and logical that during the fulfillment of the functions and powers incumbent upon each chamber there may emerge various differences and contradictions between them.

Availing myself of this opportunity, I would like to underscore the fact that the Senate's members are not vested with the right to introduce legislation. The Senate is a representative body and its members, while serving as the deputies of regional, city and district Kengashes of people's deputies, are their authorized representatives at the highest legislative body of the country and are accountable to them.

And therefore it is fully logical that in their activity and in considering the draft laws before them and making decisions, while guided by, firstly, national interests, they also consider those bills through the prism of territorial and regional interests.

And therefore in instances where the Senate rejects some law, the subsequent discussions, which emerge in the framework of conciliation commission meetings of upper and

lower chamber on the essence and substance of proposed drafts, we must consider these discussions as normal and healthy endeavors of a democratic parliament.

Dear deputies and senators!

As we carefully and critically assess the work of the Oliy Majlis over its last session we must clearly realize that without eradicating the shortcomings and overcoming the torpor and inertia in parliament's work, the deputies will not be able effectively to resolve the tasks set before them nor fulfill the towering promises which they gave to voters during the elections.

Moreover, it must be obvious to all that the newly elected parliament will have to work in qualitatively new political and socio-economic conditions.

At the moment, the country faces tasks enormous in their scale and depth in the spheres of state and social reconstruction. Given the complex conditions stipulated by the ongoing global financial and economic crisis we will have to ensure the further sustainable development of the economy while continuing working on its diversification, modernization and the technical renovation of production lines. In the difficult geopolitical conditions unfolding in the region and the world as a whole, we will have to resolve the responsibilities of ensuring the security and stability of the country, preserving peace in our land and a whole number of other responsible and large-scale tasks which we must successfully accomplish, as the future of our country and our children depend on it.

As is known to everyone, for 30 years military conflict has continued nonstop in neighboring Afghanistan. When a tense situation remains ongoing in one of the states of the region,



naturally there exists a threat to peace and security in the entire region as well.

For more than a decade, from the most authoritative international rostrums Uzbekistan has consistently put forward practical initiatives addressing this conflict. In particular, at the NATO/EAPC summit in Bucharest in April 2008 the President of Uzbekistan for the first time enunciated the view that Afghanistan's problems cannot be resolved solely by military means. In addressing the conflict in Afghanistan we have put forward an initiative to transform the 6+2 Contact Group, first advocated by Uzbekistan in 1999, into a new 6+3 configuration, bearing in mind the participation of the U.S. and Russia, adding NATO representation to the countries neighboring Afghanistan.

In fact, billions and billions of dollars have been spent for more than thirty years in attempts to resolve the Afghan problem. Today the need to radically change the approach to settling the situation in this country is becoming increasingly obvious.

In this context it is very important to ensure respect towards the national customs, culture and religious values of the multinational and numerous faiths of the people of Afghanistan.

As is known, London recently hosted an international conference on this problem. A number of states that participated in this conference expressed views about the impossibility of addressing the conflict in Afghanistan solely by military means, thus confirming the correctness of Uzbekistan's stance on this issue.

In order to establish peace and stability for the long-suffering Afghan people the international community must, above all, render targeted economic, financial, social and

humanitarian assistance, which must be accomplished under auspices of the United Nations.

Today many states of the world already render such assistance to Afghanistan. It is natural that the neighboring countries to a larger extent are interested in ensuring peace and stability in Afghanistan. Uzbekistan as Afghanistan's closest neighbor has consistently rendered substantial aid to the country.

In particular, beginning in 2010 the amount of electrical power supplied by us to Afghanistan will increase six times above its previous level.

Uzbek constructors and specialists are –now starting work on laying the Termez-Khairaton-Mazari-Shareef railroad line. I am confident that it will be finished by the end of this year.

In a word, our parliament also must make its own contribution to strengthening peace and stability in the region.

Dear friends!

All of the aforementioned will require from Parliament a high level of initiative, a continuous search for ways of increasing the efficiency of its legislative activity, and, for each and every deputy and political party above all, the need to fulfill the commitments placed by them by the elections.

I think there is no need today to speak about how important it is in establishing a legally responsible state, which we are building, to quickly fill in the gaps and blank spots in legislative and normative procedures while noting how serious changes requires strengthening law-enforcement practices and the improvement of the work of the law-enforcement and judicial bodies in always strictly observing the law.

In this, we must clearly realize that ensuring economic growth, achieving high living standards for the people and resolving other tasks in socio-economic and socio-political spheres will depend on the successful accomplishment of this most important task. This duty is about quickly and effectively moving the country along to deepen democratic reforms and liberalize the economy while building a strong civil society.

I think that in the process of preparing a concrete program of forthcoming work for both the Legislative Chamber and the Senate, all of these tasks will be taken into account and directly improved.

I deeply believe that the following are the most important primary legislative issues, and, as such, must remain the focus of our attention.

First, I would like to firmly state from this lofty podium that we will not be able to achieve these soaring goals of modernizing the country if we are not to ensure the coordinated and deep correlation of the processes of reforming the country's economy and the society without a permanent reform of the country's socio-political and judicial-legal system.

The issues of further strengthening the role of parliament in the socio-political life of the country must remain the focus of our attention in line with the Constitutional principle of separation of powers.

The most important role in implementing this task belongs to developing a multi-party system, increasing the activities of political parties and intensifying the competitive struggle between them.

The essence of the task which we must set before us is that pre-election inter-party struggles, the clash of ideas and programs, which took place in establishing the composition of the new parliament, should continue and

intensify during the new legislative body's daily activity. Figuratively speaking, the clash of ideas and programs must take place particularly in the parliamentary arena, and through such struggle the goals which each party sets itself must be achieved.

I am convinced that as the competition between various political factions becomes more heated and stronger in the Legislative Chamber, there will be more guarantees that the ideas of each party that represents the interests of certain social forces and strata will successfully realize their program tasks. Certainly, all of this will promote improvement of the quality of laws being passed along with a growth of the authority of parliament as well as its impact on the processes taking place in the country.

Inter-party discussions must focus on having a serious, professional and substantive basis. Therefore the political parties indeed need to concentrate on deeper studies of socio-economic issues that concern their constituencies in order to develop and implement measures to resolve them.

The time has come to go from general premises on political support of the strategic course of the country's leadership to carrying out reforms with concrete results, with parties proposing deeply thought-out policies, including alternative, competitive projects and programs that reflect the resolute tasks of each particular party or movement.

It is important to make public the serious shortcomings and oversights at the local levels, which hamper increasing the social efficiency of reforms and consequently hold open, transparent and constructive discussions while allowing relevant criticism of heads of bodies of state, economic management, leadership and law-enforcement bodies, who each in their own place are failing to deal with obligations laid upon them.

It is necessary to broaden the use of modern methods to engage with constituencies by utilizing commonly recognized political technologies and turn the parties' media into an arena of unfettered inter-party discussions.

The second most important task for parliament and local representative bodies of power - the Kengashes - is to ensure strict parliamentary, deputy-led control over how executive, government and khokimiyats (governor's and mayor's offices) officials at the local level implement laws passed by parliament.

It should be frankly admitted that such work, unfortunately, is at present poorly organized in the Legislative Chamber and the Senate. Up to now the Legislative Chamber and the Senate infrequently hear and discuss information on implementing laws as well as the most important state programs in the relevant branches of Prime Minister of the Republic of Uzbekistan and his deputies, heads of ministries, agencies, committees and other executive structures.

As studies have shown, parliamentary hearings up to now have been largely of a general and mostly informative nature producing minor results from particular committees or commissions regarding the issues under consideration, while some programs and documents with concrete and comprehensive recommendations were not even acted upon.

In the future it is necessary to take all necessary measures in terms of broader application at both the center and at the local levels to implement all the legal norms and mechanisms of controlling the the legislature's powers and authority as envisaged by the law.

Hearings by heads of state structures on the state of affairs related to implementing legislative acts in the offices entrusted to them must become a daily form of parliamentary activity.

The practice of disseminating information from heads of the executive branch should be expanded, in particular, to the members of the Cabinet of Ministers of the Republic of Uzbekistan on the state of affairs in not only law-enforcement practice but in all spheres of activity that they oversee.

In particular, in conducting parliamentary oversight special attention should be paid to measures decreasing the groundless interference of state structures in the economic sphere.

Special attention should also be paid to the issues of implementing the 2009-2012 Anti-crisis program's entire body of measures to ensure sustainable development of the country's socio-economic sphere and stability.

It is necessary to use more broadly such forms of parliamentary control as parliamentary inquiry, parliamentary hearings and other forms of parliamentary activity as envisioned by law.

Providing substantive detail along with comprehensive explanations on issues raised during parliamentary inquiries is a prime responsibility of officials of bodies of state power and management.

The responsibility for implementing these mandates must be laid on the shoulders of state organizations at all levels as well as the prosecutor's office.

Successful implementation of the task of reinforcing parliamentary control over executive power substantially depends on the broad participation of the mass media and public as well.

The immense and responsible tasks before parliament should be noted with regret yet continue to remain easily stated.

The most important task must be as follows: parliament must become a conductor of democratic transformations and

liberal reforms directed towards establishing the strong civil society.

Life itself more and more insistently advances on its agenda an issue related to intensifying the work of implementing the nation's program to transitioning from a strong state towards a strong civil society, the substance of which is as follows: as we continue to carry out social-economic and socio-political reforms, the model of-state and social construction that we chose makes the task of strengthening the role of citizens in governing the country increasingly important, which in practice means further development of the entire system of civil society institutions and its harmonious integration with the country's governance within its administrative territorial units.

The organizational and legal conditions should be fully utilized to assist active influence by political parties in forming bodies of executive power both in the center and at local levels. For these goals it is necessary to intensify the activity of the party groups in the local Kengashes of people's deputies and to increase party influence on the work of executive structures at all levels in resolving the concrete tasks of regional socio-economic development of.

I consider an important direction of legislative activity the further development of the normative and legal basis of the activities of civil and public institutions, non-state and non-profit organizations so that they can secure their own niche in the decision-making system to support the interests of the particular layers and strata of society whom they represent.

In this respect major and most accountable tasks lay ahead for the deputies of the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan elected from the Ecological Movement of Uzbekistan, which now unites more than 100

core NGOs. The deputies from this movement are called upon to promote the further development of legislation in the sphere of environment protection, the organization of systemic work to increase the accountability of bodies of central state power and at local levels, as well as various public and other structures regarding the unconditional implementation of legislation, which has already been passed in this area.

A simple truth ought to be firmly and clearly understood – from now on the Ecological Movement of Uzbekistan steps onto a qualitatively new level, acquiring enormous opportunities so that from its elevated position their deputies must put forward and take control of issues of environmental protection, shielding the country's population from dangerous and excessive ecological changes.

The improvement of legislation aimed at expanding the rights, and powers of institutions of civil society, including the citizens' self-governing bodies, in the system of social and state construction must become a top priority.

Today the makhalla (neighborhood community area) is an important factor for the timely and successful resolution of issues of acute importance to citizens at local levels in addition to protecting their interests. The growing contributions of makhallas include resolving spiritual and moral issues for citizens, youth, assisting in the effective functioning of the social sphere as well as providing for public security and order at the local levels.

In this respect, a priority task is the improvement of the legal basis of makhalla activities, the expansion of its powers and mechanisms of their effective functioning.

It is important to continue work to turn makhallas into centers targeting social support for the population, which can also assist the development of private entrepreneurship and family businesses.

It is necessary to envisage the further expansion of makhalla functions into the system of public control over the activity of local management entities while ensuring closer interaction of state power and management bodies with the citizens' self-governance organizations with the intention of more broadly informing the public about the implementation of state social programs at local levels.

The increasing significance and role of makhallas in addressing citizens' important concerns and ensuring social activism requires the further improvement of the system of electing chairmen (aksakals) of citizens' gatherings and their advisors from among the most deserving members of the community.

Today life itself unambiguously sets before us the task of consolidating the place and role of the mass media in the system of civil society institutions. Further liberalization of the mass media, intensification of activity of non-state outlets of press, radio and television and expansion of their access to the global Internet network will provide glasnost and openness for the policy of reforms being carried out in the country while promoting the reliable establishment of a strong civil society.

For this it is necessary to ensure the further improvement of legislation in the mass media sphere, which must create conditions for the consistent growth of quality and efficiency of our national press to the level of the high standards and criteria of the developed world's mass media.

It is necessary to create additional conditions for a more active coverage by the mass media of national foreign and internal policy while taking into account the plurality of views concerning events taking place both within the country and abroad.

It is also important to ensure the further development of the normative and legal basis of the activities of the

constantly expanding network of non-state media outlets, the protection of copyright and intellectual property as well as the introduction of market mechanisms into the informational sphere.

The issues of creating the normative and legal mechanisms directed to further consolidating the material and technical basis of the mass media, as well as the material and moral basis of the work of their employees accordingly takes on additional significance. An accurate appraisal of the work of media employees, their material and ethical concerns presuppose both increasing independence and freedom of editorial offices of newspapers and magazines, along with their accountability.

Dear friends!

During the recent elections our people cast their votes for consolidating peace and stability in the country, for deepening of market reforms, modernization and democratization of our socio-political life as well as the development of a peace-loving foreign policy. Today the nation looks with confidence and hope upon the deputies whom it has elected, those who accordingly bear a special responsibility for the fate of reforms.

Dear friends, be worthy the high confidence of the people. I wish you sound health, strength and luck in accomplishing your parliamentary deputy responsibilities, as well as happiness and well being for your families.

and strategy of consistent and step-by-step reforms and an evolutionary development of state and economy.

The fact that the complex of anti-crisis measures adopted by the government was well thought-out and timely was of considerable significance in terms of mitigating and neutralizing the impact of the crisis upon our nation. The measures set in 2009 and due to continue through 2012 ensure the sustainable and continuous operation of our financial-economic, budget, banking and credit system, as well as measures for rendering assistance to enterprises, real sectors of economy and social support of the country's population.

The multifaceted complex of the anti-crisis decisions adopted by the government was well thought out and timely.

Allow me to briefly dwell on what has been accomplished to consolidate the nation's financial and banking system.

The measures that have been and are being adopted over the last two years increased the total capital of commercial banks. Last year alone over 500 billion som of state funds were additionally allocated to replenish the charter capital of leading banks.

Today the banking system of Uzbekistan not only remains as one of the most stable ones that meet strict international requirements, but also enjoys a significant situation according to a number of international standards. The volume of capital sufficiency of our banks exceeds 23 percent, i.e. it is almost as high as three times the level of international standards set by the Basel Committee.

Fourteen of the republic's commercial banks, whose assets in total make up more than 90 percent of the banking system, have received a high "stable" rating from the leading international rating companies such as the U.S. firms Fitch Ratings, Moody's Investor Service and Standard & Poor's.

## **OUR KEY TASK IS TO FURTHER DEVELOP THE COUNTRY AND INCREASE THE WELL BEING OF THE PEOPLE**

**Address by the President of the Republic of  
Uzbekistan Islam Karimov at the session of the  
Cabinet of Ministers dedicated to the furtherance  
of the social and economic development of the  
country in 2009 and the most important  
priorities of the 2010 economic program**

Distinguished meeting participants!

Today our most important task is to critically assess 2009's impact amidst the conditions of the deepening global financial and economic crisis and on this basis to define the most important priorities for the country's social and economic development in 2010.

It is critically important to objectively assess the efficiency of the country's 2009-2012 Anti-crisis program so that if it need be the relevant corrections can be introduced during the course of its implementation in 2010 and beyond.

I think that today there is no need to speak about the fact that the year 2009 turned out to be very difficult for us.

In fact, we have every reason to state that while 2009 became a genuine trial for our nation the impact of the global recession was ameliorated by a number of factors, firstly, by the Uzbek model that we chose of transitioning from the old command and administrative distribution system to a market system of governance built on the five renowned principles



Currently the total assets of Uzbek banks exceed more than twofold the amount of funds in citizens' and legal entities accounts whose full protection and guaranteeing of timely payments is ensured. The aggregate current liquidity of the banking system is ten times more than banks' current obligations on foreign payments. In other words, we have established a solid safety net for the entire banking system.

The liquidity and sustainability of the national banks serves as a powerful factor for growing confidence in our banking system, for mobilizing the spare funds of enterprises and the population's saving accounts. The volume of individual deposits over the last year alone grew 1.7 times. On the whole, domestic sources being channeled to credit for the real sectors of economy over the last decade increased more than 25 times.

As a result, the banks' credit portfolio structure has changed substantially. If in 2000 their credit portfolio was almost 54 percent in contrast to foreign borrowings, then in 2009 84 percent of all our banks' consisted of indigenous national sources. In light of the well known reasons for our country's limited sources of foreign credit, this is of utmost significance vis-à-vis the development of our economy.

Foreign loans consequently primarily come on a long-term basis largely to finance investment projects modernizing strategic branches of the economy, support for small businesses and private entrepreneurs.

The total amount of credit resources being channeled to the real sector of economy in 2009 as compared to the year 2000 grew 14 times. In this, the credit share of banks directed to financing investment projects made up about 70 percent of their total credit portfolio.

The measures for ensuring financial sustainability and supporting enterprises in the real sector of economy during

the global financial and economic crisis were profoundly significant, but were primarily at the expense of modernization of production, instead expanding cooperation in establishing sustainable partnership relations and stimulating domestic demand for the products manufactured by indigenous manufacturers.

Thanks to the program we adopted we took measures to reduce expenses unrelated to production, thus decreasing the net cost of products, as well as replenishing the funds available to enterprises with the aim of ensuring their stable operation.

With state support we have restructured delayed and current credit debts on payments to budget and non-budget funds for 50 enterprises, which has greatly in turn stimulated their production activity, while leaving at their disposal over 350 billion som.

On average, the net cost of manufactured industrial products decreased by 18 percent, and in a number of enterprises such as the Almalik Mining and Smelting Enterprise, the Uzmetkombinat Joint-Stock Production Association, Uzeltekhsanoat Association enterprises, the Uzbek Somstroy material Company and others - by 20-25 percent.

The work being accomplished in liquidating low-profit, economically unsound enterprises involving commercial banks in this process is of considerable importance in terms of increasing the ultimate financial sustainability of enterprises.

In all, 240 bankrupt enterprises have been documented in the country; this number includes a number of large entities, of which 154 have already been transferred to new owners. Additionally, 86 bankrupt enterprises have been shifted to the accounts of commercial banks.

Today production has been fully reestablished at 70 percent of previously unsound enterprises following their transfer to commercial banks and their subsequent offering

to prospective investors. As for others –work on their financial recovery continues.

The measures that we took have freed the country's economy from needless ballast and repaid credit debts to the budget and wage arrears worth a total of 1 trillion som, as well as establishing on the foundations of bankrupt enterprises over 100 new production lines, in addition creating more than 17,000 jobs.

In the framework of large-scale local programs, more than 840 projects were implemented last year, which increased the volume of local manufacturing of products in comparison to 2008 levels by 2.3 times. We have established the production of over 120 new types of goods, among which are oil and gas equipment, chemical industry products, automobile component parts and many others. About 2,000 new jobs have been created.

In the conditions of the steep decline of world markets for the most important types of export products due to the global crisis it was of considerable importance to take efficient measures to support and stimulate domestic export enterprises while simultaneously consolidating their export potential, preserving and further expanding the volume of domestic products for export to world markets.

In order to sustain the work of exporting enterprises and increase their competitiveness in foreign markets we have taken unprecedented measures to support them, i.e. in terms of not allowing relentless increases in energy resources and public utilities prices, decreasing primary costs for enterprises by optimizing technological processes, applying new mechanisms in shaping the export prices, extending terms on banking guarantees, reducing terms of repatriating the value added tax as well as undertaking other support measures.

The assistance of the country's banks played a no less important role in ensuring the stable operation of exporting enterprises. Last year alone, as a part of the effort to replenish their funds in circulation exporting enterprises received soft loans of 233 billion som, which paved the way to preventing production losses due to temporary difficulties in enterprises being able to export their products.

Thanks to the measures that the country adopted to support exporting enterprises we have been able to provide for their stable operation in 2009 and increase the volume of their exports by 2.4 percent. This has in turn allowed the country to end the year with a large positive balance of trade, which in turn served as the most important indicator of the relative reliability of our economy's sustainability and balance of payments.

Additional stimulation measures included reducing taxes, which along with simplifying and unifying the taxation system, served as the most important initiative of supporting economic entities.

Last year the country's economic entities enjoyed a broad spectrum of additional tax and customs benefits.

We provided income tax and single tax payment benefits for light and food industry enterprises specializing in the production of consumer goods, as well as enterprises that participate in the localized production program.

The newly established specialized contract organizations on construction and renovation for housing stocks have been freed from all taxes for a period of five years. Dividends for founders of enterprises channeling profits to capitalization and investing have also been freed from taxation for a similar period.

On the whole, in the framework of implementing the country's anti-crisis program, thanks to offering tax benefits and preferences, economic enterprises saved more than 500 billion som, which were channeled to replenishing funds in

circulation, the technical renovation of production lines, incorporating new product lines while improving the workers' standard of living.

Special attention was paid to reinforcing support for and stimulating the accelerated development of small businesses and private entrepreneurs, which play an ever more significant role in ensuring economic growth, creating jobs and addressing employment problems, increasing income levels and the overall well-being of the population. At present, small businesses produce about 50 percent of the country's gross domestic product against 30 percent in 2000. This is, above all, the result of direct governmental support, which is constantly provided to small businesses and private entrepreneurs by the state.

In 2009 the single tax payment for small industrial enterprises was reduced from eight to seven percent; the amount of fixed tax for individual entrepreneurs was also reduced on average by 1.3 times.

The expenses that entrepreneurs bear when establishing their business have also been significantly reduced. Accordingly, the cost of receiving architectural and planning permission was reduced fourfold, for design estimates – 2.5-fold, and the cost of filing the cadastral documentation – twofold.

About 2,000 vacant premises, which were uncovered as a result of inventory audits, have been rented to small businesses. Rental tariffs for premises, depending on their location and type of activity, have also been reduced anywhere from 3 to 10 times.

The total amount of credit resources allocated to this sector exceeds 1.8 trillion soms.

Another key priority of implementing the Anti-crisis program became attracting investment, above all, mobilizing indigenous sources in order to undertake the accelerated modernization, technical and technological

refurbishment of the most important branches of economy and develop advanced transport communications as well as construct social infrastructure facilities.

During 2009 the investment and technical modernization sector program framework implemented 690 investment projects, of which 303 projects were successfully completed. Overall, 22 large production facilities were commissioned in the country, of which eight facilities were in the oil and gas, chemical and metallurgical industries, nine in machine building and five in the construction industry.

Last year we completed the implementation of a number of strategic projects, such as the reconstruction of the Ferghanaazot and Maksam-Chirchik ammonia synthesis enterprises, construction of a plant in Namangan for producing automobile headlights and lamps, as well as the Daewoo Textile complex in Bukhara. In addition, the Gazli booster compressor station and a gas dewatering installation at the Kungrad compressor station with a production capacity of 35 million cubic meters of gas per day was commissioned. A natural gas pipeline, which goes from Turkmenistan through the territory of Uzbekistan to China, was also completed, expanding the transit potential capacities of our country.

Additionally, more than 480 new production facilities have been established in the provinces, primarily in the small business sphere, in such branches as construction materials, food and light industries along with other industrial concerns.

I would like especially to note that thanks to the completion of strategic investment projects on constructing the Novoangren-Uzbekistan Power Transmission Line-500 and adjacent substation, the 165-kilometer Ahangaran-Pungan trunk gas pipeline through the Kamchik mountain pass along with the Guzar-Surhan high voltage power

transmission line we have in fact completed creating unified power and gas systems for the entire country.

This permits us to provide the population of the Ferghana Valley and southern Uzbekistan with reliable natural gas and electricity supplies while significantly increasing the country's electricity export potential.

We have remained focused on implementing a large-scale construction and renovation program for the Uzbek national automobile highway network that, while meeting high international standards will reliably link all of the country's provinces while ensuring access to regional and world markets.

Last year we commissioned 217 kilometers of new highways and undertook a complete overhaul of 538 kilometers of the country's roads as well as 19 bridges. More than 280 billion som from the country's Road Fund were channeled to accomplish these works. In addition we received a total of \$56 million in loans from the Asia Development Bank for road construction projects.

We have continued working on developing and modernizing the country's railroad transport system. With the participation of Japanese funding five new bridges were inaugurated on the new Toshguzar-Boysun-Kumkurgan railroad line. Six new double track sections of the Navoi-Uchkuduk-Sultanuzdag-Nukus railroad line have also been commissioned. We have additionally begun work on railway electrification projects as well as renovating locomotives and rolling stock.

In 2009 substantial progress was made on constructing an inter-modal international transportation center at Navoi Airport as a key facility of the free industrial and economic zone being established in Navoi province. Last year the national air company utilizing modern transport aircraft rented from Korean Air, undertook more than 330 international flights from Navoi, transporting about 8,500

tons of cargo, paving the way to integrating Navoi Airport into the global logistical network.

An international logistical center built in the town of Angren has also opened. It will provide a year-round transport link between the regions of the country and the provinces of Ferghana Valley.

Speaking of the development of communication systems, one should emphasize that the development of advanced telecommunications is strategically important for us. Today it is difficult to imagine life without computer equipment, information technologies, the Internet, and mobile phones.

In 2009 twelve telecommunications investment projects were launched. The Tashkent-Bukhara communication backbone was upgraded using modern technologies, which has allowed a 60-fold increase in throughput, thus providing opportunities for rendering broadband services such as video-telephone connection, improved Internet access and so on. International communication lines via Andijan-Osh, Kungrad-Beyneu, Denau-Tursunzade, Termez-Khayraton have also been commissioned.

In 2009 under through the program on improving land reclamation, 840 kilometers of collector and drainage networks have been commissioned. In addition, 250 drainage wells and 15 pumping reclamation stations have also been constructed. A total of 130 billion som have been directed towards implementing projects to improving reclamation of state land.

As a result of the reclamation efforts over 240,000 hectares of irrigated land have been improved, allowing the country both to raise crop yield levels and increase the incomes of farmers.

In 2009, along with implementation of large investment projects and the development of production and communication facilities, agricultural and reclamation

construction, development issues of enhancing the social sphere have remained the focus of our attention.

In total \$2.5 billion in funds, which make up 27.8 percent of 2009's total amount capital investments, were channeled to the aforementioned purposes.

The implementation of two of the most important social programs – a national program of training of cadres and a state program to develop school education, is nearly complete. An integrated system of continuous education has been established and is nearly ready, which encompasses nine years of elementary school education and three years of secondary specialized vocational education, i.e., a transition to 12 years of universal education, which allows our children the opportunity to master a specific profession along with providing a general secondary education.

Speaking of the effectiveness and efficiency of measures taken in the framework of the 2009 Anti-crisis Action Program, one should emphasize that it targets two key tasks – the creation of new jobs and further raising the living standards of our people.

Thanks to the measures being taken in the country, in 2009 over 940,000 new jobs were created, among them about 500,000 in rural areas. In addition, more than 390,000 small business new jobs were created, including 270,000 in the services sector.

One of the most important directions of employment remains giving incentives to home-based labor in cooperation with industrial enterprises and carrying out domestic work on a contractual basis. Thanks to such practices, more than 130,000 additional new jobs were also created.

Summing up the results of 2009, today we have every reason to note with pleasure that, thanks to our correctly chosen strategy of development, renewal and modernization

of the country, mobilization of all our strength and capacities with a view to implementing the Anti-crisis Action Plan, we have not only withstood the challenges and threats of the global crisis, but we are among few countries who are ensuring sustainable rates of economic and social development for the well-being and prosperity of our people.

In 2009 the GDP of Uzbekistan grew by 8.1 percent, industrial production increased by 9 percent, agricultural production – by 5.7 percent, retail trade – by 16.6 percent and services provided to the people rose by 12.9 percent. It is worth noting that despite complex weather conditions of last year, for the first time the country harvested 7.3 million tons of grain, including 6.6 million tons of wheat, while the cotton crop consisted of 3.4 million tons.

In 2009 the volume of investment in the economy reached \$8.2 billion, which is 24.8 percent more than in 2008. During the same period the volume of foreign investments grew by 68 percent and what is of particular importance, direct investments, which grew by 1.8-fold, made up the lion's share of this increase.

In 2009 inflation did not exceed prescribed limits, reaching 7.4 percent. Last year Uzbekistan was one of the few countries in the world where the state budget generated a 0.2 percent surplus against the national GDP.

With special pleasure I would like to note that over the last year the real incomes of people increased by 26.5 percent, while average monthly salaries, pensions and allowances grew on average 40 percent.

The successes achieved by Uzbekistan in implementing the government's anti-crisis measures have been recognized by leading global international financial and economic institutions such as the International Monetary Fund (IMF), the World Bank (WB), Asia Development Bank (ADB) and a number of other leading global financial institutions.

IMF executive directors, who visited Uzbekistan in October 2009 issued a statement noting that Uzbekistan has demonstrated significant resistance to the impact of the global economic crisis as a result of a distinct policy, which allowed the government to accumulate significant resources needed to ensure growth during this period to withstand the crisis as well as because of a rational policy of participation in the world's financial markets.

Dear friends!

Before dwelling upon the most important priorities for 2010 of the social and economic development of the country, I believe it is necessary to briefly summarize the assessments of knowledgeable international experts and economists, their forecasts for the year of development trends in the world economy.

First, in line with their analysis and assessments, the severity and leading manifestations of the global financial crisis will gradually diminish, with the world economy expected slowly to revive later this year.

Following the slowdown in the global economy in 2009 to growth rates of approximately one percent, economic growth this year is expected to recover to around 3 percent, a pace which is much lower than the rates of pre-crisis period.

At the same time, as analysts note, it is expected that unemployment will grow, which naturally will impact people's living standards.

Second, the unstable growth of the international market coinciding with a continuing fall of domestic demand, evident in many countries, will not contribute to forming a basis for consistent increases in growth rates in the real sector of most nations' economies.

The situation is aggravated by the fact that broad-scale and extensive state interference during the peak phase of crisis was aimed, above all, at maintaining the solvency of banking and financial systems while eradicating loopholes in mortgage lending, policies which accordingly only lightly touched upon the productivity sectors of the economy, including small businesses and entrepreneurial activity.

In this regard, this year the real sector of the global economy will face problems related to the weakness of the financial condition of enterprises and companies and their inability to pay off their loans and credits.

In 2010 and for the foreseeable future banking systems may also face the danger of a new wave of insolvency due to the growth of bad debts in mortgage and consumer lending operations.

In addition, the decline and contraction of productivity, rising unemployment and stagnation in the real incomes of people will lead to a significant reduction of tax revenues even as budget deficits increase, which could in some countries evolve into chronic financial instability.

Third, despite the continuing slowdown in consumer demand ameliorating price increases and in some places even producing deflation, enormous injections of money pumped into banks and financial sectors to support their liquidity could create a dangerous risk of inflation in a number of countries.

Containing this growing wave of inflation will be an extremely difficult task.

Fourth, one cannot but note the ongoing massive speculative endeavors, producing the danger of inflating new stock, raw materials and financial market bubbles, which in turn could cause a new financial collapse and further diversion of funds from efforts to renew and modernize economies.



Fifth, the biggest problem for improving developing countries' economies is above all, the continuing policy of global protectionism.

Despite numerous statements on the unacceptability of such practices at G20 meetings the impression remains that eradication of protectionism as a vivid obstacle towards developing free economies is hardly possible in the immediate future.

Sixth, a priority task for 2010 and beyond, according to IMF experts, is addressing how to curtail extremely high levels of state interference in national economies.

In many developing countries, the widespread continuation of support measures in the financial and economic spheres entail the risk of introducing distortions in attempts to balance the economy and impose serious restrictions on the way towards developing free enterprise.

The conclusion, which arises out of these assessments and forecasts of further development of the world economy in the conditions of the continuing global crisis testify to the fact that despite the fact that the crisis has evidently peaked, the complete cycle of financial and economic crisis has still to be overcome.

The process of exiting the crisis and the subsequent post-crisis rehabilitation of the global economy will undoubtedly have a quite extended, complex and uncertain character.

Dear session participants!

The country's most important task and main priority for social and economic development for 2010 is the continuation and deepening of reforms, renewal and modernization of the nation, the unconditional implementation of the 2009-2012 anti-crisis action, using

it to ensure high, sustainable and effective rates of economic growth while maintaining a macroeconomic balance.

The country's rising potential and its new and modern production capacities, which have been commissioned over the several last years, along with the development of the nation's production and social infrastructure, systemic reforms and economy liberalization along with a fully favorable investment climate allow us to envision the following for 2010:

A GDP and industrial production growth rate of 108.3 percent, in agriculture a 105 percent increase, which together will increase investments in the economy to 30 percent of the GDP.

The government's target mission is to ensure the growth of production exports to 8.5 percent while qualitatively changing their configuration by increasing the percentage of finished products with high added value.

It is envisioned tightening budgetary, financial and credit policies by increasing savings in comparison to 2009, above all, by introducing modern resource and energy efficient technologies.

The inflation rate in 2010 is expected to be within 7-9 percent.

The achievement of the goals set above will depend, firstly, on to what extent we shall be able fully to mobilize all our capacities and resources while ensuring the unconditional realization of the measures envisioned by the anti-crisis action plan in terms of neutralizing the crisis' outstanding major risks and consequences.

This will require the Cabinet of Ministers undertaking strict and system-based control over the implementation by each and every executor of the tasks laid on him vis-?-

vis sector complexes and spheres of both the national and regional economies.

Taking into consideration the ongoing global financial and economic crisis and its impact on the country's economy, ensuring the sustainability of the nation's financial and banking sector remains the government's highest priority.

The point is to concentrate upon the further capitalization and enhancement of the investment activity of banks, increasing the volumes of credit directed to continuing and expanding the priority directions of structural transformations in the economy, from modernization to technical and technological renewal of production capacities.

All of us must realize one single truth – we cannot have modernization or renewal without investments! And here we mean not only enterprises accelerating the implementation of investment projects, but also to what extent the commercial banks are actively and directly involved in implementing investment processes with their credit resources.

For this the commercial banks must not only have sufficient capital and be financially stable, but, in a word, they must turn into large investment institutions.

Thanks to the measures taken to stimulate an increase in long-term commercial bank credits, the proportion of credit allocated with a term of over three years now makes up 69 percent of the total sum of the credit portfolio of banks, having increased over past decade by 28 times.

Along with that, taking into account the dynamics and scale of growth of the economy, its structural transformations and implementation of investment projects, the need to increase the credit potential of the banking system requires further attention and support.

The Central Bank and the Ministry of Finance in conjunction with commercial banks need to elaborate a

program to further increase the total capital of banks, including a 2010 growth rate of no less than 20 percent, with the aim of increasing their share within the next two years to no less than 10 percent of the nation's GDP.

One should additionally elaborate upon the issues involved in introducing new types of banking services, attracting the spare funds of the population and economic entities for long-term bank deposits with a growth goal of no less than 30 percent, and by so doing, create a firm basis to increase the share of long-term credit investments into the country's economy.

There is a need to change the criteria for assessing the activity of commercial banks - today their work must be evaluated through the prism of growth of long-term credit investments and the attraction of domestic resources for this purpose.

In this regard, I would like to note the work of the National Bank of Foreign Economic Activity and Uzpromstroybank, which have respectively over 85 and 71 percent of long-term credits in their credit portfolio. This must become a benchmark for other banks as well.

The practice of involving commercial banks in the process of the financial rehabilitation of unprofitable and economically insolvent enterprises has been proven fully correct. I think it is not necessary to repeat once again the unacceptability of maintaining such enterprises with obsolete equipment and technologies and with no economic prospects. They must be closed and new modern productive enterprises must be established in their stead.

The work of enhancing the role of commercial banks in financing small businesses, private entrepreneurs and farmers needs to be continued. In 2009 the volume of bank credits for small businesses increased 1.5 times as compared to 2008, while the volume of allocated micro-credits grew twofold.

In 2010 the target is to allocate not less than 2.5 trillion som of credit resources to small business enterprises and private entrepreneurs, which will be 1.4 times more than in 2009, while the volume of micro-credits is to be increased up to 420 billion som, or 1.3 times last year's level.

The most important priority of implementation of the economic program for 2010 must be continuing the policy of deepening the structural reforms in the economy with a view of enhancing the competitiveness of the country.

One should objectively admit that a lot has been accomplished and significant results in this direction have already been attained. As a result of the consistent implementation of the abovementioned programs, since 2000 the share of industrial production in the country's GDP by 2009 increased from 14 to 24 percent, in the transport and communication sectors – from 7.7 to 12 percent, while the share of agriculture fell from 30 to 18 percent.

Despite these successes, we realize that much remains yet to do regarding structural reforms and diversification of our economy so that in the future it becomes ever more sustainable, self-sufficient, less dependent on external factors, and above all, increasingly competitive in both global and regional markets.

Given the specific conditions of our country and the region our prime area of focus must be the advancing the development of modern industries such as gas processing, the petrochemical and chemical industries, energy, automobile construction, electrical engineering, pharmaceuticals, machine-building and, without doubt, modern information technologies and telecommunications systems, which includes the transition in the near future to digital and broad-format television.

In addition, special attention should be paid to the further development of production, first of all, in the light, textile

and food industries, on further processing cotton beyond its raw stage, other agricultural products and raw materials, the construction materials industry as well as organizing increased production of finished high-quality products which are in high demand.

The Cabinet of Ministers must once more critically review the various programs in different sectors and take additional steps for their modification to allow for their accelerated implementation.

Accordingly, it is necessary:

First, to continue the work of expanding and establishing stable cooperative relations between enterprises as well as ensuring the active involvement of small businesses and private entrepreneurial industries in the process. The work of the Republican Industrial Fair and Cooperative Exchange must be raised to a qualitatively new level. It should be kept in mind that the development of cooperative relations is currently a powerful factor in the ongoing work of upgrading the economy's enterprises and industries, providing the most important direction in the development of new types of products, and most importantly - the creation of new jobs, as well as ensuring employment and rising incomes for the population.

Last year the government took decisions and established an entire structure to improve mechanisms to formulate and implement programs to localize production, clearly defining the roles and delimiting the authority of bodies responsible for development of localization programs via the Ministry of Economy and Ministry of Foreign Economic Relations, Investments and Trade.

It is necessary to bring this work to its logical conclusion and, taking into account the approaches and criteria already developed, critically review the projects included in the current

localization program, as well as to prepare within a month a localization program for 2010.

The volume of locally produced products should rise in 2010 by 40 percent compared to last year, while the proportion of local products exported to foreign markets should increase by 12 percent.

Second, over the last several years the total and real incomes of the population have significantly increased while consumer demand has grown steadily as well. This was possible due to the measures taken to increase wages, pensions, stipends and allowances while reducing individual income tax rates and lowering the rate of inflation. Thus, compared with 2000, last year the average wage increased 28.5 times, average pensions - almost 18 times and cash income per capita - 12 times. It is planned to increase wages this year by not less than by 30 percent and real incomes by 23 percent. As a result, the expenditures of the population on purchasing non-food industrial durable goods have increased considerably.

In these circumstances, the issue of ensuring balance in the domestic market by meeting the increasing demand of the population for consumer goods by increasing domestic companies' production of consumer products and broadening their range product lines to meet the needs of the domestic consumer market gains a special importance.

The Cabinet of Ministers at its meetings should critically assess the progress of adopted programs and take additional measures for their rapid implementation to meet the needs of the internal market with domestic products, which are superior in quality and price in comparison with imported goods to fully satisfy the growing demands of our people.

Third, it is extremely important to expand the scope of services provided to the population. These sectors do not

depend neither on either external conditions or weather conditions, i.e., they are resistant to outside factors. At the same time, they create internal demand for many types of domestic products, as well as play an important role in balancing the consumer market. The share of services in GDP should grow from 47 percent in 2009 to 49 percent in 2010.

Fourth, resolving the task of actively developing small businesses by making them more sustainable and flexible to changes in market conditions while creating new jobs remains crucial in our policies.

Therefore, we have decided in 2010 to reduce the single tax payment to seven percent for all small enterprises. The government and local state authorities must strengthen measures to support the development of small enterprises and entrepreneurs through a substantial expansion of credit while preventing illegal interference in their activities by public bodies and the creation of barriers to their activities. The goal in 2010 is to bring the share of small businesses in the nation's GDP to 52.5 percent as opposed to 50 percent last year.

Fifth, the further diversification of the export mechanisms for our products and improving the nation's overall foreign trade revenues remains a pressing task. We need to move away as quickly as possible from the continuing export of raw materials, the prices of which have recently plummeted on the world market and intensively increase our exports of finished and competitive products while expanding their geographical markets.

We must look for new markets, new transport corridors, in a word, implement active marketing strategies in our foreign economic policy.

In 2010 we must also come to grips with the issues of improving the system of transporting export cargos through the optimization of tariffs with member countries of international

transport corridors and a flexible system of tariff preferences. In this regard, the Ministry of Foreign Economic Relations, Investments and Trade and the Ministries of Economy and Finance shall be instructed to develop special programs for 2010-2012 for each industry which produces finished products to promote them in new foreign markets by providing the relevant industries with all necessary means, including marketing, financial and institutional support.

Our next important priority, which is long-term and crucial for the growth of the potential, power and competitiveness of the country's economy, is to conduct an active investment policy for implementing strategically important projects directed towards the modernization, technical and technological revival of the country's leading heavy industries and the development of a powerful modern transport and infrastructural communications network.

We have always given priority to the implementation of an active investment policy as an important factor in the structural transformation of the economy. Suffice it to say that each year funds from all financial sources directed to investing into the economy are in excess of a quarter of the gross domestic product and in 2010, in accordance with the country's investment program, capital expenditures will increase more than 30 percent against last year's level of 22.1 percent. Thus, more than 75 percent of all capital investments are spent implementing investment projects for production purposes.

The distinctive feature of our investment strategy is that priority is given to those investment projects which are aimed at creating new high-tech industries with advanced technology providing for the downstream processing of our raw materials, which in turn increases the country's export potential while creating new jobs.

Thus, in 2010 over \$3 billion in foreign investments has been channeled to implementing strategically important projects, an increase over last year of more than 30 percent, while foreign direct investments is projected to increase by 46 percent.

The establishment in 2007 of the Reconstruction and Development Fund of Uzbekistan, which has so far accumulated more than \$3.7 billion in reserves, was of great importance in terms of harnessing domestic resources for undertaking long-term strategically important projects, primarily in the spheres of building infrastructure and reconstructing and modernizing production lines.

Our major partners in implementing investment projects for manufacturing high-tech products with high added value are among the world's largest and most renowned companies, as well as such major international financial institutions as, among others, the Asian Development Bank, the World Bank, the Islamic Bank and South Korean and Japanese investment banks as well as a number of Arab institutions.

Taking a broad perspective, among the most significant strategically important initiatives in advancing our economy to the first rank has the implementation of such projects as the construction of combined-cycle thermal power plants in Tashkent, Navoi and Talimarjan, the construction of the Ustyurt natural gas-chemical complex adjacent to the Surgil field for producing polyethylene and propylene, the construction of a new PVC and caustic soda production complex, the installation of propane-butane equipment at the Muborak Gas Processing Plant and Shurtanneftegaz to increase production of liquefied natural gas, the conversion of Novo-Angren Thermal Power Plant units to coal fuel and the organization of automotive power-train production assembly lines, to name but a few of the more important projects.

All of these developments, despite the global financial and economic crisis, were included in the 2009-2014 program of measures to implement important projects on modernization, technical and technological renovation of the country's industrial production base, which was adopted last year. This program includes more than 327 projects at a total cost of more than \$42.5 billion. Funding sources for most of them have already been specifically lined up and investor consortiums have been formed.

The Ministry of Foreign Economic Relations, Investments and Trade in conjunction with the Ministries of Economy and Finance as well as other relevant ministries and departments must intensify their work to harmonize terms and conditions for implementing the strategic investment projects included in the government's investment program agenda, as well as new projects currently under development by strategic industries and major enterprises in their future policy planning.

I would like to especially mention that an important and key place in our long-term projects is the establishment of a nationwide modern communication and transportation system, including all types of transport: road, rail and air.

In 2010 the government envisages allocating 540 billion som to the Republican Road Fund for the development of automotive roads, an amount nearly two times higher than last year. Another new current project is construction of parts of the Uzbek national highway network using funds allocated by the Asia Development Bank.

The ultimate goal of implementing the program as envisaged is to increase the nation's volume of transport and transit services by reorienting a substantial part of trade flows between Europe and Asia onto domestic transit routes and establish logistics centers based on existing

infrastructure, which will in addition provide thousands of people with jobs.

The Cabinet of Ministers must take under careful consideration the implementation of the program adopted by the government to develop roadside infrastructure and services along the Uzbek national highway system for the period 2010-2015.

Special attention should be paid to the further development of the nation's railway lines, for modernization of which in 2010 more than \$105 million has been set aside. It is necessary to ensure the completion of construction of the Tashguzar-Baysun-Kumkurgan railway line along with its infrastructure and continue construction of electrified railway lines along the Yangiyer-Jizzakh and Yangiyer-Farhad throughways.

Along with this, it is necessary to accelerate projects intended to update the nation's fleet of passenger locomotives and modernize and renovate cargo locomotives and wagons. A project to procure and commission two Spanish high-speed trains for use on the Tashkent-Samarkand route must be started this year and all necessary procedures fulfilled.

Another pressing concern in the sphere of national transport infrastructure projects is to further increase the volume of foreign investments being attracted to the Navoi Free Industrial-Economic Zone.

First of all, it is necessary to implement the 17 projects which have already been launched and continue to focus on attracting to the Navoi FIEZ investments from high-tech countries such as Republic of Korea, Japan, Germany, the United States, Great Britain, France and Italy, among others.



Dear friends!

I think it would be absolutely correct to place the government's program on accelerating development and construction of housing and social infrastructure in rural areas among 2010's top priorities.

The announcement of 2009 as the "Year of development and improvement of the countryside" and implementation of the program adopted by the state in this regard marked the beginning of a long-term governmental commitment to a radical reorganization and renewal of the countryside on a modern architectural and industrial basis which includes increased housing constructions, social and community facilities and communications. All these measures are intended to radically improve living standards in rural areas and bring them closer to urban conditions.

In 2009 alone over 2 trillion 600 billion som from various funding sources were allocated for these purposes.

Most importantly, in 2009 we developed a powerful planning, industrial-construction and engineering-technical logistical base with a long-term outlook for rural construction projects.

The sources of financing and the mechanism for the allocation of funds are as follows; the specialized Qishloq Qurilish Bank (Rural Construction Bank) and Qishloq Qurilishoyiha Design and Research Institute were established, while 22 housing project models and 16 social construction projects along with model plans for constructing housing complexes were developed and approved after an extensive discussion with input from national and regional exhibitions. Also, a specialized customer company - Qishloq Qurilish Invest (Rural Construction Investment) was established. Additionally, new housing construction has been started at 42 sites throughout the country.

And most importantly, this comprehensive project – unique both in its nature and substance – enjoys powerful support not only among the country's rural population but the public in general as well.

The government intends to allocate over 250 billion som solely for housing construction in the 2010 Investment Program to provide soft loans to residents, which will be issued through the Qishloq Qurilish Bank especially established for this purpose. The sum is more than four times as much as was allocated in 2009. Additionally, the developers will contribute approximately 70 billion som.

In 2010 it is planned to build 7,630 homes with an estimated value of more than 470 billion som in all of the country's 159 rural areas.

The government intends not only to build modern and comfortable cottages but also to create modern residential areas, including kindergartens, secondary schools and construct music and arts schools, sports and medical facilities, service facilities and improved roads; in short, everything necessary for the rural population to live comfortably and decently.

A dynamically growing and strong housing market with all the necessary social and communications infrastructure is in fact taking practical shape in the country.

It is necessary for the State Architectural Construction Agency to carry out rigorous and systematic oversight over the strict implementation of development plans, as well as sanitary and construction requirements and standards. We need to improve the development of a system of documentation in relation to the patterns of settlement as well as regional planning and overall urban planning and continue working on improving individual housing projects while developing facilities, ranging from social-cultural to

household sanitation concerns in rural areas, by using modern building materials and technologies while taking into consideration the climatic conditions and terrain as well as socio-demographic characteristics of the of the country's various regions.

We must not forget that this program will provide a massive amount of work, which will allow the creation of tens of thousands of new jobs while promoting the active involvement of the country's entire population in its implementation.

Setting forth the goal of achieving this long-term program on the intensified development and building of housing and a parallel social infrastructure, we will greatly contribute to solving our country's most acute job creation problems and the interrelated issues of income growth and improvement of living standards.

In 2010 over 950,000 a total of new jobs are envisioned to be created in the country. About half of them will be created by developing small enterprises, micro-firms, private entrepreneurs and in various service spheres by expanding the number of construction subcontractors, including repair and housing reconstruction.

In 2010 the major direction in expanding employment opportunities, that has already proved itself in practice, will remain involving the population in various forms of domestic labor, expanding indigenous workmanship and national crafts along with the stimulation of family businesses with the goal of providing employment for more than 208,000 people, mainly women along with children, disabled, and other socially vulnerable categories of the population.

Special working commissions at the provincial, city and district levels have been established to oversee the implementation of all relevant measures on creating these

new jobs. All these measures have been stipulated in the Republican program "On creation of jobs and employment for 2010 on all territorial levels of Uzbekistan," which was developed in collaboration with all the relevant ministries, departments, economic entities and enterprises and which was subsequently adopted by the Oliy Majlis.

In the Republic of Karakalpakstan, provinces and city of Tashkent all preliminary aspects of this program have been thoroughly developed by the local Kengashes (Councils) and placed under their direct oversight.

The Ministry of Labor and Social Protection along with the Ministry of Economics and the State Committee on Statistics must create an accurate accounting system to provide precise statistics on the exact number of jobs actually created in each province and city, as well as developing a monitoring system to implement the program. If necessary, those agencies must put forward concrete proposals to the Cabinet of Ministers to prevent lagging behind in implementing the parameters stipulated in the program.

Dear participants of the meeting!

**We declared 2010 as the "Year of developing a harmonious generation."**

We aim to create the necessary opportunities and conditions to ensure that our children grow up not only physically and spiritually healthy, but also as harmoniously developed people who have acquired the necessary contemporary intellectual skills in order to address the requirements of the 21st century in which they will live and work.

The State program on this issue recently adopted by the government provides for mobilizing all of our resources and capabilities to achieve the goals set in forth in both state and non-state agendas.

Funding sources of 8 trillion som, including 1.8 trillion som from the state budget, commercial bank credits of 3.3 trillion som and over 2.7 trillion som from the financial assets of responsible agencies will be channeled to accomplishing the comprehensive set of measures stipulated in the 2010 program.

I believe I am expressing our country's general opinion and the beliefs of people living in this blessed land of Uzbekistan, if I say that the implementation of this program is a fundamental cause for each and every one of us. The main thing in approaching the implementation of these programs is that this is not just a formal endeavor, but also incorporates our sincere and comprehensive awareness of the fact that through this program we are building our country's great future.

Dear compatriots!

The tasks we have set before us, the priorities of the country's socio-economic development that we are putting forward for 2010 are carefully thought out and we are fully capable of implementing them.

The basis for this optimism and belief is the experience we have obtained over many years, the powerful potential created by the tireless efforts of our people for over this period combined with our unshakable confidence in the future.

