

April 25, 2005,
The Kremlin, Moscow

Annual Address to the Federal Assembly

PRESIDENT VLADIMIR PUTIN:

Distinguished Members of the Federal Assembly,
Citizens of Russia,

In this Address of 2005 I will dwell on a number of fundamental ideological and political issues. I believe such a discussion is essential at the current stage of Russia's development. The most important social and economic tasks facing us, including specific national projects, were set out in the previous Address. I intend to elaborate them in the coming Budget Address and in a series of other documents.

At the same time I would ask you to consider last year's and this year's Address to the Federal Assembly as a unified program of action, as our joint program for the next decade.

I consider the development of Russia as a free and democratic state to be our main political and ideological goal. We use these words fairly frequently, but rarely care to reveal how the deeper meaning of such values as freedom and democracy, justice and legality is translated into life.

Meanwhile, there is a need for such an analysis. The objectively difficult processes going on in Russia are increasingly becoming the subject of heated ideological discussions. And they are all connected with talk about freedom and democracy. Sometimes you can hear that since the Russian people have been silent for centuries, they are not used to or do not need freedom. And for that reason, it is claimed our citizens need constant supervision.

I would like to bring those who think this way back to reality, to the facts. To do so, I will recall once more Russia's most recent history.

Above all, we should acknowledge that the collapse of the Soviet Union was a major geopolitical disaster of the century. As for the Russian nation, it became a genuine drama. Tens of millions of our co-citizens and compatriots found themselves outside Russian territory. Moreover, the epidemic of disintegration infected Russia itself.

Individual savings were depreciated, and old ideals destroyed. Many institutions were disbanded or reformed carelessly. Terrorist intervention and the Khasavyurt capitulation that followed damaged the country's integrity. Oligarchic groups – possessing absolute control over information channels – served exclusively their own corporate interests. Mass poverty began to be seen as the norm. And all this was happening against the backdrop of a dramatic economic downturn, unstable finances, and the paralysis of the social sphere.

Many thought or seemed to think at the time that our young democracy was not a continuation of Russian statehood, but its ultimate collapse, the prolonged agony of the Soviet system.

But they were mistaken.

That was precisely the period when the significant developments took place in Russia. Our society was generating not only the energy of self-preservation, but also the will for a new and free life. In those difficult years, the people of Russia had to both uphold their state sovereignty and make an unerring choice in selecting a new vector of development in the thousand years of their history. They had to accomplish the most difficult task: how to safeguard their own values, not to squander undeniable achievements, and confirm the viability of Russian democracy. We had to find our own path in order to build a democratic, free and just society and state.

When speaking of justice, I am not of course referring to the notorious "take away and divide by all" formula, but extensive and equal opportunities for everybody to develop. Success for everyone. A better life for all.

In the ultimate analysis, by affirming these principles, we should become a free society of free people. But in this context it would be appropriate to remember how Russian society formed an aspiration for freedom and justice, how this aspiration matured in the public mind.

Above all else Russia was, is and will, of course, be a major European power. Achieved through much suffering by European culture, the ideals of freedom, human rights, justice and democracy have for many centuries been our society's determining values.

For three centuries, we – together with the other European nations – passed hand in hand through reforms of Enlightenment, the difficulties of emerging parliamentarism, municipal and judiciary branches, and the establishment of similar legal systems. Step by step, we moved together toward recognizing and extending human rights, toward universal and equal suffrage, toward understanding the need to look after the weak and the impoverished, toward women's emancipation, and other social gains.

I repeat we did this together, sometimes behind and sometimes ahead of European standards.

It is my firm belief that for present-day Russia democratic values are no less important than economic success or people's social welfare.

First, every law-abiding citizen is only entitled to firm legal guarantees and state protection in a free and just society. And, no doubt, safeguarding rights and freedoms is crucial both to Russia's economic development and its social and political life.

The right to be elected or appointed to a state post, as well as the opportunity to use public services and public information, must be equally available to all the country's citizens. And any person who breaks the law must know that punishment is inevitable.

Second, only in a free society do economically active citizens have the right to participate in a competitive struggle as equals and choose their partners, and earn accordingly. The prosperity of every individual should be determined by his or her labor and abilities, qualifications, and effort. Everyone has the right to dispose of what he or she earned at will, including bequeathing it to his/her children.

In that way, the observance of principles of justice is directly connected with the equality of opportunities. And this in turn must be guaranteed by no one other than the state.

Third, the Russian state, if it wants to be just, must help its impoverished citizens and those that cannot work – the disabled, pensioners and orphans. These people must live a decent life and the main benefits must be accessible to them.

All these functions and duties are directly invested in the state by society.

And finally a free and just society has no internal borders or travel restrictions, and is open to the rest of the world. This enables citizens of our country to fully enjoy the benefits of human civilization in its entirety, including education, science, world history and culture.

It is our values that determine our desire to see Russia's state independence grow, and its sovereignty strengthened. Ours is a free nation. And our place in the modern world, I wish to particularly emphasize this, will only depend on how strong and successful we are.

I dealt at such length with these key and on the whole general concepts to show how these principles must be reflected in our daily work. I think these activities should be pursued as a minimum along three lines: first – measures to develop the state; second – strengthening the law, developing the political system, and making the judicial system more effective; and, third – developing the individual and civil society as a whole.

First, about the state.

You know that in the last five years we have had to tackle difficult tasks to prevent the degradation of state and public institutions in our country. At the same time, we had to create the foundation for development in the next few years and decades. We cleared the debris together and gradually moved ahead. In that sense, the stabilization policy was practically a policy of reaction to the accumulated problems. This policy was, in general, successful. However, it has reached the limit of its effectiveness.

It must be replaced with a policy oriented towards the future. And for that, we must have an efficient state. However, despite many positive changes, this key problem has not been solved so far.

Our bureaucratic apparatus is still largely an exclusive and often arrogant caste regarding state service as an alternative form of business. Therefore, our priority remains making state management more effective, ensuring that officials strictly obey the law, and quality public services are provided to the population.

A specific feature of recent times has been that the dishonest part of our bureaucracy (at the federal and local levels alike) has been particularly keen on using the achieved stability in its own mercenary interests. It started using the favorable conditions and emerging opportunities to achieve its own selfish goals rather than to increase the prosperity of society.

It is worth mentioning that in this respect the party and corporate elites behave no better than the state bureaucracy.

Today, when we have created the necessary preconditions for serious and large-scale work, if the state falls into the trap of finding simplified solutions, the bureaucratic reaction will only benefit from it. Instead of a breakthrough, we will face stagnation. The potential of civil society will not be used effectively, while the level of corruption, irresponsibility and lack of professionalism will rocket, throwing us back on the way of economic and intellectual degradation and creating a growing rift between the authorities and public interests, with state apparatus refusing to heed public requests.

I repeat: we cannot be satisfied with the current situation in the country. While freeing major mass media from the oligarchs' censorship, we failed to protect them from the unhealthy zeal of certain officials. Focusing the efforts of law enforcement bodies on the fight against crime, including tax evasion, we encountered frequent violations of the rights of our business community, and sometimes a blatant racket on the part of state officials.

Many bureaucrats believe this situation will never be changed, and such violations are the inevitable result of past and current policies.

I must disappoint them. Our plans do not include handing over the country to the inefficient rule of a corrupted bureaucracy.

We proceed from the idea that it is both essential and economically advantageous to have developed democratic procedures in the country; that it is politically prudent to maintain a responsible dialogue with society. Therefore, a modern Russian official must learn to speak with the public using the modern language of cooperation, the language of common public interest, dialogue and real democracy, rather than the jargon of military orders.

This is our fundamental approach and we will strictly follow it.

Another important task in the sphere of state development is bolstering the Federation. The major goal that we are pursuing is to build an effective state system within the current national borders.

You know that constituent members of the Federation have recently begun to display a desire to unite. It is a positive trend, and it is important to avoid turning it into another political campaign. We should not forget that Federation members do not merge for the sake of

unification itself, but to make their management more efficient, and their social and economic policies more effective, which will ultimately lead to increased social prosperity.

Naturally, this process is complicated, but in certain cases, and I want to stress, not always or everywhere, but in certain cases, it is the only way to consolidate the state's resources to manage such a unique and vast country as Russia. After all, many constituent members of the Russian Federation have compound subordination, and they often have to face problems related to the delineation of powers between various state bodies (primarily in the sphere of taxation and budget allocation). However, all the efforts have so far been wasted on disputes and coordination, and sometimes even on legal action in the courts, including the Constitutional Court. All this is happening when new opportunities have already emerged and we need to implement a number of large national projects.

You know specific examples well. The ongoing unification of the Krasnoyarsk Region, the Taimyr and the Evenkia autonomous districts must help the development of new deposits of natural resources and provide the eastern regions of Siberia with constant energy supplies. Clear and sound administrative decisions must open up new opportunities for major investments in the development of Russia's regions.

In my opinion a third important task is to pursue vigorous policy in promoting liberalization in private enterprise. I'd like to focus on measures to stabilize civil law relations and to achieve a dramatic increase in opportunities for free enterprise and capital investment.

First, measures need to be taken to consolidate civil law relations. I have already mentioned that we should reduce the statute of limitations for minor transactions to three years. Now this statute is 10 years. This proposal is already in the focus of a broad discussion and for this reason I would like to emphasize once again the ideas that guided us.

Stability of the right to private property is the alpha and omega of any business. The rules to which the state adheres in this sphere should be clear to everyone, and, importantly, these rules should be stable. This enables people developing their business to plan normally both this business and their own lives. This allows citizens to feel comfortable and conclude, without any apprehensions, contracts on such vital issues as the acquisition of housing or its privatization, which has already been almost completed in our country. In general, this encourages people to buy property and expand production.

At the same time, those people who deviated from law in business transactions cannot be ignored. The state should certainly respond to that. But I must point out that three years is also a big term that gives both the parties concerned and the state enough time for clearing up their relations in court. I'd like to emphasize that a three-year statute of limitations has been the longest one in our legislation in the last hundred years. Ten years is too long both in terms of economic and legal considerations. Such a term creates a host of uncertainties, primarily dampening the ardor of the state, and not only of the state but also of other participants in the process. Incidentally, we have submitted our proposals on the relevant amendments to law to the Government of the Russian Federation. Regrettably, we have not heard a thing from them so far even though all they have to do is to amend one word in one clause. I request that formal agreement be accelerated.

Secondly, it is necessary to help our citizens legalize in a simplified way the real estate that belongs to them de facto. I mean garages, housing, suburban cottages and the relevant land plots in different cooperative societies and horticultural associations.

The legalization procedures should be as simple as possible, while the relevant paperwork should not create additional difficulties for our citizens. Incidentally, this will open up such additional opportunities as the legal inheritance of property, and will allow citizens to take out a mortgage in a bank with this property as security.

And, thirdly, the flow of capital accumulated by our citizens needs to be encouraged into our national economy. Citizens should be allowed to declare the money they have saved in previous years, in the previous period, in a simplified procedure. This procedure should be accompanied by only two provisions: one should pay a 13 per cent income tax and deposit the relevant sums into Russian bank accounts.

This money should work in our economy, in our country, not lie in offshore zones.

Another, systemic task of state development, in my view, is concerned with the work of tax and customs agencies. I believe their priority task should be to check compliance with tax and customs legislation, rather than the fulfillment of some “plans” to collect taxes and duties.

The fiscal agencies in any country should obviously exercise control over the correct payment of taxes. But it would be fair to say that our tax system has been in the making in the past few years; it took time and rich legal and judicial practice to receive clear answers to all of our questions.

The fiscal agencies must not close their eyes to legal violations. But we should find ways for back taxes from previous years to be repaid in the interests of the state without destroying the economy and pushing business into a corner. The tax agencies must not “terrorize” business by returning to the same problem again and again. They should work rhythmically, promptly reacting to violations but spotlighting above all inspections of the current period.

I believe that all of the above measures will help stabilize civil transactions, create additional guarantees for the long-term development of business, and ultimately ensure greater freedom of enterprise and a fair approach taken by the state to it.

And finally, one more crucial problem: Russia is extremely interested in a major inflow of private, including foreign, investment. This is our strategic choice and strategic approach.

In practice, investors sometimes face all kinds of limitations, including some that are explained by national security reasons, though these limitations are not legally formalized. This uncertainty creates problems for the state and investors.

It is time we clearly determined the economic sectors where the interests of bolstering Russia’s independence and security call for predominant control by national, including state, capital. I mean some infrastructure facilities, enterprises that fulfill state defense orders, mineral deposits of strategic importance for the future of the country and future generations, as well as infrastructural monopolies.

We should draft and legally formalize a system of criteria to determine the limitations on foreign participation in such sectors of the economy. Simultaneously a corresponding list of industries or facilities will be determined that shall not be extended or receive extended interpretation. Some industrialized countries use this approach and we should also use it.

While maintaining such control and limitations in some economic sectors, we should create favorable conditions for the inflow of private capital to all the other attractive sectors. I think you will agree that, regrettably, we have accomplished too little in this sphere so far.

I repeat, all of these decisions must be formalized in legislation. The goal of these measures is apparent: investors do not need riddles and charades. They will invest their money only in a stable economy with clear and comprehensible rules of the game. And this approach will be fair to both society and the state, which should protect its prospective interests and take care of the country’s development for years and decades to come.

Dear Colleagues,

The creation of an effective legal and political system is an essential condition for developing democracy in our country. But developing democratic procedures should not come at the cost of law and order, the stability that we worked so hard to achieve, or the continued pursuit of our chosen economic course.

The democratic road we have chosen is independent in nature, a road along which we move ahead, all the while taking into account our own specific internal circumstances. But we must and we shall move forward, basing our action on the laws and on the guarantees our constitution provides.

Of course, the state authorities must refrain from any abuse of the administrative levers they have at their disposal, and must work continually to open up new opportunities for building up the institutions of a genuine democracy in our country.

To deny our people, to deny ourselves the ability to live according to democratic laws is to have no respect either for ourselves or for our fellow citizens and would signify that we neither understand the past nor see the future.

“State power,” wrote the great Russian philosopher Ivan Ilyin, “has its own limits defined by the fact that it is authority that reaches people from outside... State power cannot oversee and dictate the creative states of the soul and mind, the inner states of love, freedom and goodwill. The state cannot demand from its citizens faith, prayer, love, goodness and conviction. It cannot regulate scientific, religious and artistic creation... It should not intervene in moral, family and daily private life, and only when extremely necessary should it impinge on people’s economic initiative and creativity”. Let us not forget this.

Russia is a country that has chosen democracy through the will of its own people. It chose this road of its own accord and it will decide itself how best to ensure that the principles of freedom and democracy are realised here, taking into account our historic, geopolitical and other particularities and respecting all fundamental democratic norms. As a sovereign nation, Russia can and will decide for itself the timeframe and conditions for its progress along this road.

But consistent development of democracy in Russia is possible only through legal means. All methods of fighting for national, religious and other interests that are outside the law contradict the very principles of democracy and the state will react to such methods firmly but within the law.

We want all our law-abiding citizens to be able to be proud of the work of our law enforcement agencies and not to cross the street when they see someone in uniform. There can be no place in our law enforcement agencies for people whose primary aim is to fill their own pockets rather than uphold the law. The motivation for our law enforcement officers should be above all about providing quality protection of our citizens’ rights and freedoms.

Finally, if part of Russian society continues to see the court system as corrupt, there can be no speaking of an effective justice system in our country.

Overall, I want to note that we need principally new approaches to fighting crime in our country. The relevant decisions will be prepared.

Eradicating the sources of terrorist aggression on Russian territory is an integral part of ensuring law and order in our country. We have taken many serious steps in the fight against terrorism over recent years. But we cannot allow ourselves to have any illusions – the threat is still very real, we still find ourselves being dealt serious blows and criminals are still committing terrible crimes in the aim of frightening society. We need to summon our courage and continue our work to eradicate terrorism. The moment we show signs of weakness, lack of firmness, the losses would become immeasurably greater and could result in a national disaster.

I hope for energetic work to strengthen security in the southern part of Russia and firmly establish the values of freedom and justice there. Developing the economy, creating new jobs and building social and production infrastructure are prerequisites for this work.

I support the idea of holding parliamentary elections in the Republic of Chechnya this year. These elections should lay the foundation for stability and for developing democracy in this region.

I want to note that the North Caucasus region already has good conditions for achieving rapid economic growth. The region has one of Russia's best-developed transport infrastructures, a qualified labour force, and surveys show that the number of people in this region wanting to start up their own business is higher than the national average. At the same time, however, the shadow economy accounts for a bigger share in this region and there is criminalisation of economic relations in general. In this respect, the authorities should not only work on strengthening the law enforcement and court systems in the region, but should also help develop business activity among the population.

We should be paying no less attention to other strategically important regions of the Russian Federation. Here, I am referring to the Far East, Kaliningrad Region and other border areas. In these areas we should be concentrating state resources on expanding the transport, telecommunications and energy infrastructure, including through the creation of cross-continent corridors. These regions should become key bases for our cooperation with our neighbours.

Esteemed Assembly,

Very soon, on May 9, we shall celebrate the 60th anniversary of victory. This day can be justly called the day of civilisation's triumph over fascism. Our common victory enabled us to defend the principles of freedom, independence and equality between all peoples and nations.

It is clear for us that this victory was not achieved through arms alone but was won also through the strong spirit of all the peoples who were united at that time within a single state. Their unity emerged victorious over inhumanity, genocide and the ambitions of one nation to impose its will on others.

But the terrible lessons of the past also define imperatives for the present. And Russia, bound to the former Soviet republics – now independent countries – through a common history, and through the Russian language and the great culture that we share, cannot stay away from the common desire for freedom.

Today, with independent countries now formed and developing in the post-Soviet area, we want to work together to correspond to humanistic values, open up broad possibilities for personal and collective success, achieve for ourselves the standards of civilisation we have worked hard for – standards that would emerge as a result of common economic, humanitarian and legal space.

While standing up for Russia's foreign political interests, we also want our closest neighbours to develop their economies and strengthen their international authority. We would like to achieve synchronisation of the pace and parameters of reform processes underway in Russia and the other members of the Commonwealth of Independent States. We are ready to draw on the genuinely useful experience of our neighbours and also to share with them our own ideas and the results of our work.

Our objectives on the international stage are very clear – to ensure the security of our borders and create favourable external conditions for the resolution of our domestic problems. We are not inventing anything new and we seek to make use of all that European civilisation and world history has accumulated.

Also certain is that Russia should continue its civilising mission on the Eurasian continent. This mission consists in ensuring that democratic values, combined with national interests, enrich and strengthen our historic community.

We consider international support for the respect of the rights of Russians abroad an issue of major importance, one that cannot be the subject of political and diplomatic bargaining. We hope that the new members of NATO and the European Union in the post-Soviet area will show their respect for human rights, including the rights of ethnic minorities, through their actions.

Countries that do not respect and cannot guarantee human rights themselves do not have the right to demand that others respect these same rights.

We are also ready to take part in an effective partnership with all countries in order to find solutions to global problems – from finding effective ways to protect the environment to space exploration, and from preventing global man-made disasters to addressing the threat of the spread of AIDS. And of course we are also ready to join efforts to fight challenges to the modern world order such as international terrorism, cross-border crime and drug trafficking.

I would like now to say a few words about our priorities for developing civil society. [Sergei] Witte once wrote, “The state does not so much create as add substance. The genuine creators are all the citizens themselves... The aim should be not to hinder independence, but to develop it and encourage it in every way”.

This piece of advice is still just as relevant today.

I think that our primary task should be to ensure that our citizens have objective information. This is a political issue of vital importance and it is directly linked to putting the principles of freedom and justice into practice in our state policy.

I think that in this respect the draft law on information openness of the state agencies is a very important document. It is important that it be passed as soon as possible. Its implementation will enable people to receive more objective information about the work of the state bodies and will help them to protect their own interests.

I also wanted to raise another, very specific, issue here today, namely, what must be done to ensure that national television fully takes into account Russian civil society’s most relevant needs and protects its interests. We need to establish guarantees that will ensure that state television and radio broadcasting are as objective as possible, free from the influence of any particular groups, and that they reflect the whole spectrum of public and political forces in the country.

I propose reinforcing the Public Chamber’s powers in the area of civilian control over respect for freedom of speech by the television channels. To do this, a commission could be established with the Public Chamber that would be made up of people respected by the professional community, who would ensure the independence of broadcasting policy and bring in qualified specialists to help them in their work. To this effect, I plan to introduce to the State Duma the relevant amendments to the legislation. Furthermore, all parliamentary factions should have access to the media.

I am sure that these proposed measures will improve the quality and objectivity of the information our society receives today, intensify cultural life and enable everyone, even those in the most remote corners of our country, to have access to the immense wealth of achievements that our modern world offers.

Finally, I would like to say a few words about guarantees for the activities of political parties in parliament. I think that every faction should have an equal opportunity to express its views on the key development issues facing the country, propose its representatives to head committees and commissions and seek to have the problems that interest it included on the agenda.

I think we also need to confirm by law the procedures for parliamentary investigations.

Furthermore, in the interests of continuing to strengthen the role of political parties in forming state power, I propose that the State Council of Russia discuss precisions to the new procedures for appointing the chief officials of the executive branch of power in the regions. The President could propose a representative of the party that wins the regional elections as candidate for this post.

Dear colleagues,

Having spoken about the fundamental problems of developing the state and civil society, I cannot ignore a number of concrete issues that are long since needing to be addressed.

It is my firm conviction that success in many areas of our life depends on resolving the acute demographic problems we face. We cannot accept the fact that on average Russian women live 10 years less than women in Western European countries, and Russian men live a whole 16 years less on average.

But not only can many of the reasons for this mortality rate in Russia be addressed, in many cases the costs involved would not even be very high. For example, almost 100 people a day are killed here in traffic accidents. The reasons for these accidents are well known and we should take a whole series of measures to improve this dramatic situation.

We keep coming back to the state of the healthcare sector. An active discussion is underway today to find ways of improving this sector. Without anticipating the final decision, I can say that I am sure that, above all, we need to ensure that medical care is accessible and of high quality, and we need to revive the traditions of preventive medicine as a part of the Russian healthcare system.

I particularly want to stress another, more complex issue for our society – the consequences of alcoholism and drug addiction. Around 40,000 people a year die from alcohol poisoning in Russia, above all as a result of drinking alcohol surrogates. Most of these people are young men, the breadwinners for their families. But prohibitive methods will not resolve this problem. Our work should be focused on encouraging the young generation to make a conscious choice in favour of a healthy way of life, encourage them to get involved in sports and physical culture. Every young man should be aware that a healthy way of life is a key to success, a key to his personal success. But I did not see any desire to address this problem at federal level when I looked through the budget programmes for next year and the government's investment programmes. We realise that these issues come more under the competence of the regional and municipal authorities, but without support from the federal government we will not manage to resolve this problem. I ask you to make the necessary changes.

The low birth rate is another national problem. There are more and more families in the country with just one child. We need to make being a mother and being a father more prestigious and create conditions that will encourage people to give birth and raise children.

Incidentally, I think it would be a good decision to abolish the inheritance tax, because billion-dollar fortunes are all hidden away in off-shore zones anyway and are not handed down here. Meanwhile, people have to pay sums they often cannot even afford here just for some little garden shack.

I also think that an increase in our population should be accompanied by a carefully planned immigration policy. It is in our interest to receive a flow of legal and qualified workers. But there are still a lot of companies in Russia making use of the advantages of illegal immigration. Without any rights, after all, illegal immigrants are convenient in that they can be exploited endlessly. They are also a potential danger from the point of view of breaking the law.

But the issue here is not just one of scaling back the shadow sector of the economy but of bringing real benefit for the entire Russian state and society.

Ultimately, every legal immigrant should have the chance to become a Russian citizen.

We cannot afford to postpone tackling these problems. We need to act simultaneously to create conditions that will encourage people to have children, lower the mortality rate and bring order to immigration. I am sure that our society is up to these tasks and that we will gradually stabilise the size of the Russian population.

We also must find definitive solutions for other problems that have built up over the years. This concerns, above all, wages for teachers, medical doctors, people working in the arts and sciences, and servicemen. They should finally begin to see benefits from the economic growth in the country.

It is they who carry the responsibility for ensuring that future generations of Russian citizens grow up healthy and educated and preserve the traditions and spiritual values of their forebears.

It is they who set the modern standards for society's development and take part in forming the country's current and future elite. They are the guardians of our country's rich cultural and spiritual heritage. This is why the quality of these people's work is no less important for the country than economic growth results. What kind of country we will be living in tomorrow, what level of freedom, justice and democracy we will have, and how reliably our country will be defended all depends on them.

But at the same time, the level of real wages in these sectors is still lower than it was at the end of the 1980s. The average public sector wage is still considerably lower than the average wage in the country in general. Of the common tariff grid's 18 rates, 12 are lower than the survival minimum. In other words, most employees of budget-funded organisations face a very high risk of ending up in poverty. This humiliating situation is stopping people from being able to work effectively and creatively.

I think we need to increase public sector wages at least 1.5-fold in real terms over the next three years. In other words, public sector wages should rise at least 1.5 times faster than prices for consumer goods.

I stress that what we are talking about here is the necessary minimum below which we must not and do not have the right to go. In this way, we could substantially reduce the disparity between public and private sector wages in the country. And we should also remember that setting wages for most budget-funded organisations and paying them on time is the responsibility of the regional authorities. We need to establish inter-budgetary relations in such a way so that the regions are also able to increase public sector wages at a faster pace.

But we should also keep in mind that simply increasing wages is not going to solve all the problems in the public sector. The time has long since come for introducing financial solutions and mechanisms that will encourage better results and more effective organisation of the social sphere. Financial policy should be used as an incentive for increasing the accessibility and quality of social services.

Finally, we need to create conditions for actively raising investment from other sources besides state funds into the healthcare, education, science and culture sectors.

I want to stress also that the objectives of modernising the education and healthcare systems that were set out in the previous Address should still be pursued, but pursued very carefully.

Reorganisation for its own sake is not the aim. The aim is to improve the quality of service, make services accessible for the majority of citizens and ensure that they have a genuine influence on socio-economic progress in the country.

In speaking of our values, I would like to raise another issue I think is very important, that of the level of public morals and culture.

It is well known that a good business reputation has always been a prerequisite for concluding deals, and human decency has been a necessary condition for taking part in state and public life. Russian society has always condemned immorality, and indecent behaviour has always been publicly reprimanded.

Law and morals, politics and morality have traditionally been considered close and related concepts in Russia, at least, such was always the declared ideal and aim. Despite the problems we all know, the level of morality in tsarist Russia and during the Soviet years was always a very meaningful scale and criteria for people's reputation, at work, in society and in private life. No one can deny that values such as close friendship, mutual assistance, trust, comradeship and reliability have flourished in Russia over the course of centuries, becoming enduring and immutable values here.

Prominent Russian legal theorist, Professor Lev Petrazhitzky, noted that the duties to help the needy and pay workers their agreed wages are above all ethical norms of conduct. I want to note that this was written almost 100 years ago, in 1910.

I think that unless it follows the basic moral standards accepted in civilised society, Russian business is unlikely to earn a respectable reputation. It will be unlikely to earn respect, not just in the wider world, but even more important, within its own country. After all, many of the difficulties faced by the economy and by politics in Russia today have their roots in precisely this problem of the greater part of Russian society having no trust in the wealthy class.

We should remember that corruption among state officials and rising crime are also consequences of the lack of trust and moral strength in our society. Russia will begin to prosper only when the success of each individual depends not only on his level of wealth but also on his decency and level of culture.

Dear citizens of Russia,

Esteemed Federal Assembly,

Our country is about to celebrate the anniversary of our great victory, a victory that came at the terrible cost of countless lives and sacrifices.

The soldiers of the Great Patriotic War are justly called the soldiers of freedom. They saved the world from an ideology of hatred and tyranny. They defended our country's sovereignty and independence. We will always remember this.

Our people fought against slavery. They fought for the right to live on their own land, to speak their native language and have their own statehood, culture and traditions.

They fought for justice and for freedom. They stood up for their right to independent development and they gave our Motherland a future.

Just what kind of future this will be now depends on us, on today's generation.

Thank you for your attention.