Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

DIPLOMA THESIS

Evaluation of the Economic Development in Tajikistan

Mahinakhon Mamadjonova

CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Mahinakhon Mamadjonova

Economics and Management
Economics and Management

Thesis title

Evaluation of the Economic Development in Tajikistan

Objectives of thesis

The aim of this thesis is identification, measurement and valuation of key parameters of economic performance in Tajikistan by applying theoretical methods of economics as well as indicators used by the world economical and financial institutions. Additionally we will be determining factors limiting and boosting the economic development in Tajikistan, identify key areas of possible economic expansion and prepare recommendation for solutions of found problematic areas. Comparison of main indicators of economic development is performed with neighboring and selected countries in order to determine the rates of economic development.

Methodology

The master thesis deals with the analysis and evaluation of the economic situation and its development in Tajikistan. The thesis contains a theoretical and practical part. The theoretical part presents a literature review including theoretical concepts (Economic Growth/Economic Development). The practical part deals with development, current state and perspectives of economic development in Tajikistan based on the analysis of relevant data. The thesis uses mainly general theoretical methods such as comparison, analysis, synthesis. For the analysis and synthesis used statistical data for the last 20 years starting from year 2000. Earlier periods are excluded to eliminate interference of transformations periods in the economy. For some applicable areas are used methods of econometrical testing. Comparative methods are used to evaluate the economical performance of the country among the regional group, such as SIC and Central Asian countries.

The proposed extent of the thesis

60 – 80 pages

Keywords

Economic Development, Tajikistan, International Trade, GDP, Economic Indicators

Recommended information sources

Bamberger M. Dealing with Complexity in Development Evaluation: A Practical Approach. California: Sage, 2016

BÉNASSY-QUÉRÉ, A. Economic policy : theory and practice. Oxford: Oxford University Press, 2010. ISBN 978-0-19-532273-6.

BRUX, J M. Economic issues and policy. Australia: Cengage Learning, 2016. ISBN 9781285448770.

The global Competitiveness Report: World Economic Forum: Geneva – 2000 – 2019

The World Bank Group Data. World Bank Data. World Development Indicators.

TODARO, M P. – SMITH, S C. Economic development. Harlow: Addison-Wesley, 2011. ISBN 978-1-4082-8447-6.

Expected date of thesis defence

2021/22 SS – FEM

The Diploma Thesis Supervisor

doc. Ing. Karel Tomšík, Ph.D.

Supervising department

Department of Economics

Electronic approval: 7. 3. 2022

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 8. 3. 2022

doc. Ing. Tomáš Šubrt, Ph.D.

Dean

Prague on 29. 03. 2023

Declaration

I declare that I have worked on my master's thesis titled "Evaluation of the Economic Development in Tajikistan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 31.03.2023   _____

Acknowledgement

I would like to thank my supervisor, doc. Ing. Karel Tomšík, Ph.D., for his support and guidance throughout the preparation of this master thesis. I would also like to thank all my teachers whom I had a pleasure to meet and attend their lectures and seminars. I would also like to show my appreciation to our study coordinators Oldřich Výlupek and Eva Šimková for their continuous help during my studies.

Evaluation of the Economic Development in Tajikistan

Abstract

Analysis of economic development is an important procedure to assess effectiveness of the chosen strategy, applied policies and measures for any economy. Tajikistan as a developing country has gone through drastic structural changes after it`s independency in 1991 followed by severe internal conflicts until it went out to the path of steady economic growth. This thesis analyzes modern period of economic development of Tajikistan after the country finalized its transformation from planned to market economy and got able to be integrated into international economic relations.

As a starting point author identifies main indicators that can be used to effectively evaluate economic development by reviewing related literature from different economic schools as well as established world institutions. Further these finding are applied to assess current state of the economy of Tajikistan, it`s evolution in the last decade and compare findings with performance of other countries from various development levels.

Author discusses about strong and weak points, and possible opportunities of Tajikistan economy and comes to conclusion that even with comparably good development results there is a need for a breakthrough to achieve significant improvements in quality of life. This is possible with attraction of investment which is tied to the improvement of socioeconomic and institutional structures, rather than direct economic policies.

Keywords: Economic Development, Tajikistan, GDP, Development Indicators, Economic Evaluation.

Hodnocení hospodářského rozvoje v Tádžikistánu

Abstrakt

Analýza ekonomického vývoje je důležitým postupem pro posouzení účinnosti zvolené strategie, aplikovaných opatření a to pro jakoukoli ekonomiku. Tádžikistán jako rozvojová země prošel po osamostatnění v roce 1991 drastickými strukturálními změnami, po nichž následovaly vážné vnitřní konflikty, až se vydal na cestu stabilního hospodářského růstu. Tato diplomová práce analyzuje moderní období ekonomického rozvoje Tádžikistánu poté, co země dokončila svou transformaci z plánované na tržní ekonomiku a dokázala se začlenit do mezinárodních ekonomických vztahů.

V prvé řadě autor identifikuje hlavní ukazatele, které lze použít k efektivnímu hodnocení ekonomického rozvoje, a to na základě přezkoumání související literatury z různých ekonomických škol i zavedených světových institucí. Dále jsou tato zjištění využita k posouzení současného stavu ekonomiky Tádžikistánu, jejího vývoje v posledním desetiletí a k porovnání s výkonností jiných zemí z různých úrovní rozvoje.

Autor se zabývá silnými i slabými stránkami a možnými příležitostmi tádžické ekonomiky a dochází k závěru, že i při srovnatelně dobrých výsledcích rozvoje je k dosažení výrazného zlepšení kvality života zapotřebí výrazného průlomu. Ten je možný při přilákání investic, které jsou vázány spíše na zlepšení socioekonomických a institucionálních struktur než na přímou hospodářskou politiku.

Klíčová slova: Hospodářský rozvoj, Tádžikistán, HDP, indikátory rozvoje, Ekonomické hodnocení.

Table of Contents

1. Introduction

Economic development is a complex and multifaceted concept that has been the subject of intense debate and inquiry in the fields of economics, politics, and social sciences. It refers to the process by which a society improves its economic, social, and political well-being, and is often measured by main economic and social indicators such as gross domestic product (GDP), poverty rates, inflation, employment levels, life expectancy, or compound indices such as Human Development Index (HDI), Sustainable Development Indicators (SDI), Genuine Progress Indicator (GPI).

While economic development has been a priority for governments and policymakers around the world for decades, the concept itself remains contested and subject to ongoing debate. Some scholars argue that economic growth and development can be achieved through free markets, while others advocate for more state intervention and planning. Additionally, there are debates around the role of globalization, technology, and institutions in promoting or hindering economic development.

Despite these debates, it is widely recognized that economic development is essential for improving living standards, reducing poverty, and promoting social progress. Moreover, economic development is not a one-size-fits-all process, as different countries and regions face unique challenges and opportunities in achieving their economic goals.

The aim of this thesis is to evaluate the economic development of Tajikistan over a specific period of time using a variety of quantitative and qualitative indicators. Specifically, this research will focus on analyzing, in order to assess the overall economic performance and development of the selected country.

To achieve this aim, this thesis will review and synthesize existing literature on the topic of economic development, as well as collect and analyze data from a range of sources. The ultimate goal is to provide a comprehensive assessment of the economic development of Tajikistan, identifying key trends and challenges, and making recommendations for future economic policies and strategies.

Through this research, the aim is to contribute to a better understanding of the factors that drive economic development and to provide practical insights that can inform decision-making by policymakers, practitioners, and other stakeholders involved in promoting economic growth and development. The findings of this thesis may also have broader implications for the fields of economics, politics, and social sciences, as well as for future research on the topic of economic development.

2. Objectives and Methodology

The objectives of this thesis are identification, measurement and valuation of key parameters of economic performance in Tajikistan by applying theoretical methods of economics as well as indicators used by the world economic and financial institutions. Additionally, we will be determining factors limiting and boosting the economic development in Tajikistan, identify key areas of possible economic expansion and prepare recommendation for solutions of found problematic areas. Comparison of main indicators of economic development is performed within regional group and selected group of countries with different levels of development in order to give quantitative and qualitative conclusion on the economic situation of Tajikistan.

The master thesis deals with the analysis and evaluation of the economic situation and its development in Tajikistan. The thesis contains a theoretical and practical part. The theoretical part consists of a literature review of recent and classical authors which deal with concepts of Economic Growth and Economic Development of countries. There is also a review of determination of development indicators by International Institution.

The practical part deals with economic progress over the last decade, current state and perspectives of economic development in Tajikistan based on the analysis of relevant indicators determined in the theoretical part. The thesis uses mainly general theoretical methods such as comparison, analysis, synthesis. For the analysis and synthesis used statistical data for the last 20 years starting from year 2001. Earlier periods are excluded to eliminate interference of transformations periods in the economy. Comparative methods are used to evaluate the economic performance of the country among the selected country groups and Central Asian countries.

11

3. Theoretical Aspects of Economic Development

3.1. Review of Classical Literature

Economic development refers to the sustained growth and improvement of an economy over time. This can involve increasing the productive capacity of an economy, creating new jobs, improving living standards, and reducing poverty. There are various theories and models of economic development, each with their own strengths and limitations. One of the earliest theories is the classical model, which emphasizes the role of savings, investment, and technological progress in promoting economic growth. Other models include the neoclassical model, which focuses on market efficiency and resource allocation, and the endogenous growth theory, which highlights the role of knowledge and innovation in promoting growth.

In recent years, there has been increasing attention on the role of institutions, governance, and social capital in economic development. For example, some scholars argue that the quality of institutions and governance can play a key role in promoting investment, innovation, and entrepreneurship. Others argue that social capital, such as trust and social networks, can facilitate economic transactions and foster cooperation. There are also various challenges and constraints to economic development, such as limited access to capital, inadequate infrastructure, and political instability. Some scholars argue that addressing these challenges requires a holistic and comprehensive approach that involves multiple stakeholders, including the government, the private sector, and civil society organizations.

Overall, the literature on economic development is vast and varied, reflecting the complexity of the topic and the diversity of perspectives and approaches. While there is no single formula for achieving economic development, the literature provides useful insights into the factors that promote or hinder growth, and the strategies that can be adopted to overcome the challenges and constraints.

Economic development covers a wide range of aspects, and this leads to the existence of many theories and, as a result, various interpretations of this concept. Differing in basic, fundamental approaches, they offer different behavioral hypotheses, use different concepts and categories, and explain the development process in different ways. Before proceeding to the definition of the concept of economic development, it is important to consider the

formation of modern concepts of the development of economic systems, and consequently to trace the evolution of the meaning in the concept of economic development.

In 1912, J. Schumpeter's book "The Theory of Economic Development" was published, in which the author writes the following: "development" should be understood only as changes in the economic cycle that the economy itself generates, that is, only random changes "left to itself" and not set in motion by impulses from outside the national economy (Schumpeter, J., 1980). Schumpeter argued that economic development is not a linear or predictable process, but rather a dynamic and unpredictable one that is driven by the actions of entrepreneurs.

The process of development generates qualitatively new phenomena. J. Schumpeter considered the key element of economic development to be "implementation of new combinations" by (Schumpeter, J., 1980):

- Introduction of new product;
- Introduction of technology;
- Expansion to thew new markets;
- Access to the new resources;
- Withholding competitive advantages;

In the understanding of J. Schumpeter, development is reduced to the implementation of innovations, and the entrepreneur is the initiator of innovation.

Further formation of theories of development is connected with the concepts of "vicious circle of poverty" and "transition to sustainable development". The concept of "vicious circle of poverty" arose in connection with the application of the theory of economic equilibrium to the analysis of underdeveloped countries. The "vicious circle of poverty" is a concept used to describe a situation in which poverty creates conditions that perpetuate poverty. It is a self-reinforcing cycle of economic and social deprivation, where poor people are trapped in poverty due to a lack of access to education, health care, and economic opportunities.

The vicious circle of poverty begins with low levels of income, which make it difficult for individuals and households to access basic necessities such as food, shelter, and healthcare. This lack of resources leads to poor health outcomes, malnutrition, and high mortality rates, which in turn lead to lower levels of productivity and income. Poor health

also makes it difficult for individuals to obtain education and skills training, further limiting their opportunities for economic mobility. Lack of education and skills training results in low-paying jobs with little opportunity for upward mobility. This, in turn, leads to low levels of investment in human capital and infrastructure, which further perpetuates poverty. Additionally, inadequate infrastructure, such as poor transportation and communication networks, can limit access to markets and economic opportunities, hindering economic development.

The vicious circle of poverty can be challenging to break, as it requires coordinated efforts to address multiple factors simultaneously. To fight against poverty and achieve breakthrough out of this cycle will require contemporary improvements in education and health care, investments in fixed capital and infrastructure, and introduction of sustainable economic growth. Only synchronized fulfillment of all these measures can eliminate causes of poverty, break the cycle and change the route of economic development towards steady and continuous growth.

Graph 1. Vicious circle of poverty
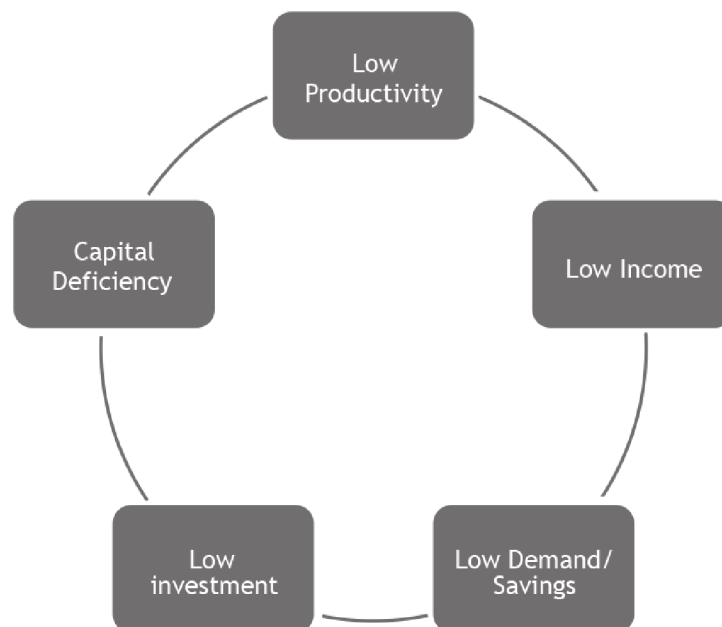
Source: by Author

Another kind of "vicious circle of poverty" are theories that explain the narrowness of the internal market and the lack of resources for modernization. Among them is the theory

14

of the "vicious circle of lack of capital" according to R. Nurkse. Researchers attribute backwardness to institutional conditions, in particular, to the low qualification of the labor force and the underdevelopment of public education and vocational training systems.

The theory of "vicious circles of poverty" is characterized by a number of shortcomings: in these circles, the cause merges with the effect, and each subsequent factor is not connected by a strict causal connection with the previous one. Hence the incompleteness of the set of limiting factors and the incompleteness of the chains. The analysis of these chains as vicious circles prevents the division of bonds into primary and secondary, substantiates the inevitability of an external push to exit the state of quasi-stable equilibrium (Nurkse, R.,1958).

The scientists proceeded from the fact that the modernization of the economy requires a large infusion of capital, as a result of which self-sustaining growth begins. It seems impossible to mobilize these resources on a voluntary basis, therefore, the emphasis is on forced savings resulting from the state's monetary and tax policy; the inefficiency of the fiscal system could be compensated by capital imports.

The theory of "vicious circles of poverty" led to the concept of achieving self-sustaining growth, which was promoted by American scientist Walt Rostow, prioritized achievements of pure economic growth over structural changes and improvements in social area. Both concepts influenced to development of modern neo-Keynesian theories of development and creation of term "big push." This theory emphasized the need for primary industrialization and the role of autonomous investments, facilitated by state economic policy to increase national income. Mobilizing these resources voluntarily seemed impossible, thus forcing savings through monetary and tax policy was emphasized, and the inefficiency of the fiscal system could be offset by capital imports. (Vaggi, J.,2003).

The modernization theory highlights the importance of market-oriented policies, economic growth, and technological progress, positing that economic development can occur through the stages of traditional society, transitional society, and modern society. The former is characterized by subsistence agriculture, low technology levels, and low productivity, the latter by the emergence of new industries, increased productivity, and a shift away from agriculture, and the latter by advanced technology, high productivity, and a service-oriented economy. (Inglehart, R., 2005)

Graph 2. Rostow`s theory of development
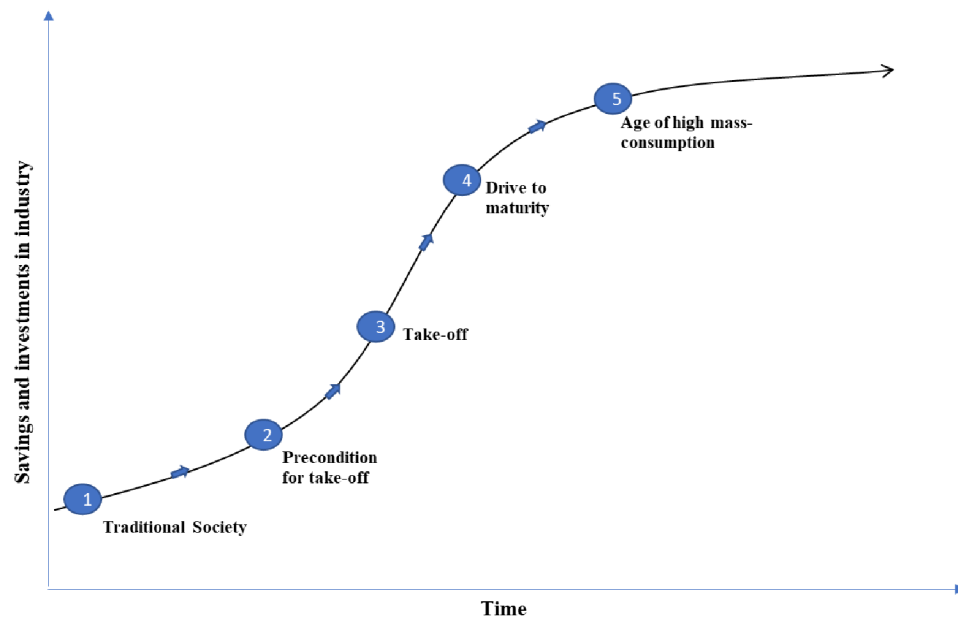
Source: Rostow W. W., 1960

Arthur Lewis, a renowned economist, played a significant role in the modernization theory by presenting the dual-sector model of development in his book "The Theory of Economic Growth" published in 1955. According to Lewis, the primary challenge faced by developing countries is the surplus of labor in the traditional rural sector, and the shortage of labor in the urban sector. He believed that industrialization could be the solution to this problem, as it can absorb the surplus labor in the traditional sector and lead to economic growth and development.

Lewis's dual-sector model of development proposes that the traditional sector has low productivity and wages, while the modern sector is characterized by higher productivity and wages. This wage differential creates a migration incentive for the surplus labor from the traditional sector to the modern sector. As labor moves from the traditional sector to the modern sector, the overall productivity of the economy increases, leading to higher economic growth and development.

Moreover, Lewis argued that the process of industrialization could be initiated through the promotion of the modern sector, primarily through government policies, such as investment in infrastructure, education, and healthcare. These policies can enhance the skills

16

of the labor force and create a suitable environment for the growth of the modern sector, leading to overall economic development.

In "big push" theories, the lack of modern industries is perceived as an obstacle to development, so the creation of a set of modern industries is given paramount importance. And development refers to deep structural changes covering the main sectors of the economy. The so-called "two-deficiency model" became a further concretization of the "big push" theory. Its purpose is to describe the relationship between the development of domestic accumulation and external sources of financing. Within the framework of this model, development is the displacement of external sources of financing by internal ones, the replacement of imported goods with domestic ones and the creation of prerequisites for overcoming external financial dependence.

Supporters of the neoclassical trend attempted to create their own concept of economic modernization as a counterweight to the neo-Keynesian systems of economic growth (development). Economic development in the theories of Keynesians, according to neoclassicists, is a change only in technical and economic parameters, not affecting the entire range of socio-economic prerequisites. It is seen as a quantitative rather than a qualitative phenomenon. According to neoclassicists, the main condition for economic development is reliance on domestic resources, and not on foreign aid. Neoclassical development theories analyzed the balance between capital accumulation and population growth. They were based on taking into account the real dualism of the underdeveloped economy: its two components are the traditional agricultural and modern industrial sectors. The main representatives of the dualistic economy theory are W. Lewis, A. Hirschman, S. Schatz, J. Fey and G. Ranis.

Dualistic models focus on the process of transferring labor resources from agriculture to industrial production, trying to find effective forms of urbanization of the population. Development in the theory of a dualistic economy is understood as a way of redistributing material and labor resources, as an exchange between sectors, the reduction of a less productive sector and the growth of a more productive one. The next stage in understanding economic development is related to the institutional approach. In 1968 Gunnar Myrdal's three-volume monograph "The Asian Drama: A Study of the Poverty of Nations" was published. In his study, G. Myrdal criticized the main categories of growth theories - technology as a decisive factor in overcoming underdevelopment, the market as an automatic regulator of economic development, and planning as a means of solving social problems. G.

Muradl comes to the conclusion that all these factors contribute to the strengthening of technological dependence, the disintegration of the economy, the growth of corruption and government bureaucracy. G. Myrdal's approach was of great humanistic importance. In essence, he distinguished between the concepts of growth and development. Economic growth, which was not accompanied by an improvement in the situation of the majority of the population, was not considered by him as development, because it left aside the vast majority of the population and was carried out at its expense. Under development, the researcher understood the increase in the degree of satisfaction of the basic needs of all members of society (Muradl, G, 1968).

Representatives of the institutional approach focused not on investment in productive assets, but on investment in human capital, and one of the first to put this problem in relation to developing countries was the American economist Theodor Schultz. Under human capital, modern authors understand the totality of all the productive qualities of an employee, that is, acquired knowledge, skills, as well as motivation and energy. T. Schultz interprets investments in human capital more broadly, referring to them not only direct costs for education, upbringing, health care, but also the entire complex of costs associated with preparing a person for production. According to T. Schulz, the accumulation of human capital in its most effective form, when the necessary prerequisites for its practical implementation are created, is development. At the same time, special importance is attached to the formation of an effective education system, the accumulation of scientific and technical

3.2. Determinants of Economic Development

The development of the economy is a multidimensional process, which is expressed in the steady growth of the gross product and income, the formation of new structural proportions in the economy and the increase in the efficiency of the economy through the modernization of fixed assets, the introduction of innovations. The final result of the economic development of every economy is to increase the standards of living and creation of better living environment. From this point of view, the development process includes three major components (Voloshin, D., 2008):

- Rise in earnings, enhancement of education level and betterment of overall public health;
- Establishment of a framework that nurtures people's self-worth through the development of socioeconomic and institutional structures that prioritize the preservation of human morale, decency and honor;
- Raising the level of individuals' freedom, encompassing their economic liberty.

When evaluating the level of socio-economic development of countries and regions, major focus was given to the main quantifiable item, such as income or possible to estimate factors such as education and healthcare, while the remaining parts were not taken into account due to difficulties of measurement and estimation. However, it come to understanding that the remaining components play not a lesser role in overall outcome of progress and started to be taken into account.

As a result, objective of economic development is broadened by inclusion of such factors as improvement of environment, personal freedom and liberty, protection of rights, access to governance.

Although some objectives may have similarities, they can also differ significantly based on specific situations. For example, in scenarios where resources are limited, available funding may need to be directed towards either healthcare or environmental protection, resulting in a potential conflict between development goals. However, it's evident that a healthy environment leads to better health outcomes for individuals, which ultimately supports the primary goal of promoting the health of the population.

The development of the economy has a significant impact on the development and state of the social and environmental sphere. The nature and direction of this impact determines the qualitative aspect of economic development. At the same time, the development of the economy mainly depends on the available natural potential. The presence, volume and quality of natural resources in a given territory determines the possibility of implementing their consumer and production functions. Under the influence of anthropogenic and natural factors, environmental pollution occurs and this affects the quality of the natural environment and natural resources. The intensity of environmental pollution depends on the production specialization of the territory, the technologies used, and the provision of environmental control by the state and society over the activities of economic entities also plays an important role. There are a number of principles of

interaction between economic, ecological and social systems (Holling, C., 2001): the relationship between the volume of costs allocated for environmental purposes and the state of the environment. Economists believe that in order to maintain a stable environmental situation, it is necessary to allocate 2-3% of GDP annually for environmental management, and if the environmental situation is not stable, then 5-6% of GDP will be required - the relationship between the quality state of the environment and economic damage.

According to research, an ecologically unstable environment can result in an increase of up to 5% annually in the rate of damage, even if human impact on natural systems remains unchanged. This damage can lead to negative consequences such as declining health, well-being, and population in affected areas. Conventional indicators like gross income, gross product, and their growth rates are often used to evaluate economic development, but they only capture a limited aspect of socio-economic progress. Other measures, such as life expectancy, population health, education levels, and changes in production and society, are equally important to assess the qualitative aspects of economic processes.

To assess the level of development of countries and regions, international organizations commonly use universal comprehensive indicators. Furthermore, individual indicators of regional development, such as the level of consumption of material goods, degree of income inequality, physical health levels, education levels, and subjective assessments, can also be used. By considering a wide range of indicators, it's possible to obtain a more comprehensive picture of the level of economic and social development in a region or country.

The changing landscape of social production is a hallmark of the economic development of many regions and countries, with post-industrial societies gradually taking over from industrial ones. A growing number of people are employed in the non-material sector, while a shrinking percentage engaged in direct production and processing of goods. Industries that were once considered primal are no longer as such and are unlikely to regain that status. Nature of mass demand is shifting to individual demand, and economy of scale losing its application. There is a growing dependency on use of artificial intelligence in production and information is becoming the primary factors success. Most of the added value is now created in the non-material sphere, and labor is acquiring new characteristics, with creative functions beginning to take precedence. The creative individual is becoming the predominant type of worker, dedicated to their work and striving to introduce new elements

into it. The distinction between low-tech and high-tech industries is fading, and all industries are becoming knowledge-intensive, accumulating a flow of managerial, financial, and commercial innovations. The availability of advanced technology and worker skills are becoming more crucial for competitiveness than low labor costs and other common factors. The traditional advantages of regions and countries are losing their significance, and these trends are apparent in almost all parts of the world to some degree.

More authors (Haskel, J., 2017) discuss the concepts of non-material production concluding its dominance in the economic development over traditional determinants. Until recent period physical resources were the only components of production factors and other non-material factors were treated by default as other equal conditions. However, there are more evidence of restructuring of economy of production where value is created with minimum use of classical means of production. Economies with higher level of human capital, sustainable and optimized mechanisms of interaction having and reserves of intellectual property can create equal or greater values competing with traditional economies.

These ideas help to understand the importance of social capital and redirect investment from traditional factor to development of conditional factors such as education, healthcare, networks and governance. The quality of economic development is now defined by an increase in the level and quality of life of the population, a shift towards science-intensive and high-tech industries, a reduction in the environmental burden, and a decrease in the energy, resource, and material intensity of products.

Economic development should not only focus on a quantitative expansion of regional output, but also encompass the development of the technological, institutional, and social spheres. Hence, non-material production is a key component of economic development that fosters sustainable and equitable growth.

Natural resources: Countries with dominant position of natural resources can use Countries with abundant natural resources, such as oil or minerals, can use them to support economic growth. However, the presence of natural resources alone does not guarantee economic development. Countries with abundant natural resources often suffer from what is called the "resource curse," where the reliance on natural resources can lead to a decline in other sectors of the economy and a lack of diversification. Additionally, the revenues generated from natural resources can lead to corruption and political instability if they are

not managed properly. Therefore, countries should not entirely rely on resource but use this advantage to improve other sustainable sectors of economy and gradually transform economy into less reliance from resource.

Physical and human capital: Investing in both physical and human capital can contribute to higher productivity and economic growth. Physical capital investments, such as infrastructure and technology, can facilitate the flow of goods and services and promote economic development. Examples of physical capital include transportation networks like roads and bridges, as well as communication infrastructure. On the other hand, human capital refers to the knowledge, skills, and abilities of a country's workforce. Education and training programs are essential for improving human capital and can help individuals acquire new skills and knowledge. A better-educated and more skilled workforce is typically more productive, leading to higher economic growth and development. However, investing in physical and human capital can be costly, and the benefits may not be realized immediately. Additionally, some countries may face challenges in providing access to education and training, especially in rural or marginalized areas.

Political stability and institutions: A stable political environment and well-functioning institutions, such as a fair legal system and effective government bureaucracy, can support economic development by providing a favorable environment for businesses to operate in. Political instability, corruption, and weak institutions can deter foreign investment, discourage entrepreneurship, and lead to a lack of confidence in the economy. Additionally, ineffective government policies and bureaucracy can hinder economic development by creating barriers to entry, restricting competition, and stifling innovation.

International trade and investment: Access to international markets and foreign investment can provide opportunities for growth and development. Trade can allow countries to specialize in the production of goods and services that they have a comparative advantage in, which can increase efficiency and productivity. Additionally, foreign investment can bring in new capital, technology, and knowledge that can help drive innovation and growth. However, the benefits of trade and investment can be unevenly distributed, and some countries may be unable to compete on the global stage due to factors like low productivity or weak institutions.

Technology and innovation: Proper contributions to the development of new technology and scientific researches can increase competitiveness of the economy by

22

lowering the costs of production and increasing profitability. However, it will require consistent investments with longer period of payback, which is for many emerging economies trying to go out of the poverty loop be not affordable. And we can observe a situation when rich will gain greater gains while poor will be locked in the endless routine of reforms trying at least to maintain their level of development.

Economic policies: Economic policies that promote investment, entrepreneurship, and competition, such as tax incentives, regulatory reform, and trade liberalization, can support economic development. Incentives for investment and entrepreneurship can encourage the formation of new businesses, which can create jobs and drive growth. Additionally, regulatory reform can help remove barriers to entry and promote competition, leading to a more efficient allocation of resources. However, economic policies can also be subject to political pressures and may not always be designed to promote economic development.

Demographic factors: Factors such as population growth, age structure, and urbanization can affect economic development by influencing labor supply, demand for goods and services, and the structure of the economy. For example, countries with high population growth rates may face challenges in providing adequate education, healthcare, and employment opportunities for their citizens.

Graph 3. Determinants of Economic Development
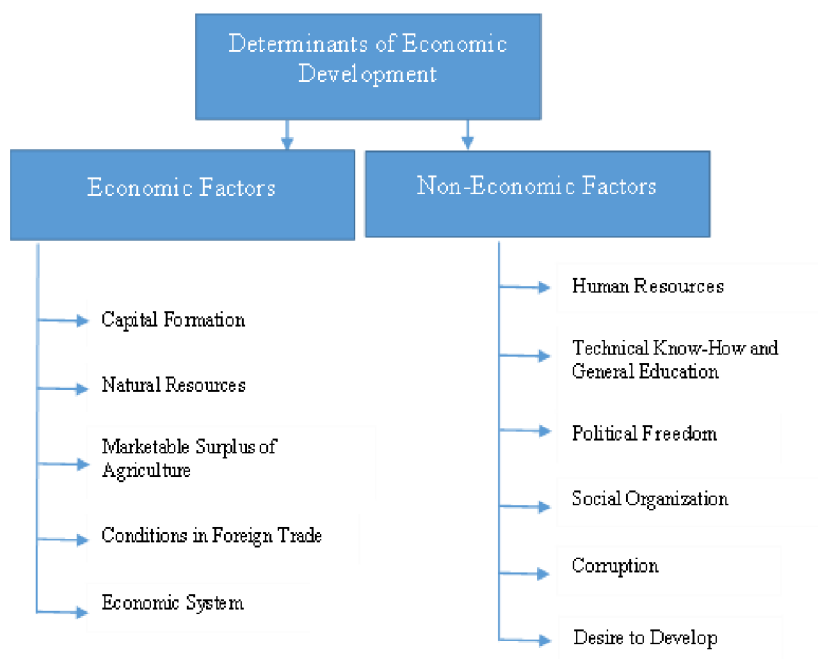
Source: UKEssays (2018)

3.3. Evaluation of Economic Development

Evaluating the economic development of a country can be a complex and multi-dimensional process, as there are various factors that can influence a country's economic performance and well-being and involves measuring various economic indicators, such as Gross Domestic Product (GDP), unemployment rate, inflation rate, poverty rate, human development index (HDI), and income inequality. These indicators can provide insight into the overall health and well-being of a country's economy, as well as the standard of living of its citizens. It is important to note that these indicators should not be viewed in isolation, as they are interrelated and can provide a more comprehensive understanding of a country's economic development when viewed together. Overall, evaluating economic development requires considering multiple indicators that reflect different aspects of a country's economy and society.

- GDP is considered to be the main indicator of evaluation of economic development and many other indicators take it as core of the calculation. One of it is GDP per capita which may wrongly represent a level of income of population, however it hides the proportionate output produced by different economic sectors and monopolistic state of business units.

- The unemployment rate is another measure to assess level of development. Low level of unemployment means that the economy is prospering and in need of labor. However, this indicator highly depends on transparency of reported statistical data and may hide engagement of population in shadow economy, or reversely forced employment in low paid jobs.

- Inflation rate is also an important indicator of economic development, as it reflects the rate at which prices are rising. A moderate and stable inflation rate can indicate a healthy economy, while high or unstable inflation can indicate economic instability or a potential crisis.

- The poverty rate can help for a better understanding of distribution of wealth. In a country. High GDP rates along with high poverty rates may indicate about the problems of inequality, social justice and inappropriate access to opportunities, while

lower levels of poverty may signal about effectiveness of policies and attractiveness for further improvements and investment.

- Finally, income inequality is an important factor to consider when evaluating economic development, as it reflects the distribution of wealth and opportunities in a society. A high level of income inequality can indicate a lack of economic opportunity and social mobility, while a more equal distribution of wealth can indicate a more developed and prosperous society.

M. Bamberger in "Dealing with Complexity in Development Evaluation" argues that traditional evaluation methods are not suitable for evaluating complex development programs that involve multiple stakeholders, outcomes, and contextual factors. (Bamberger, 2016). To address this challenge, Bamberger proposes a more flexible and adaptive approach to evaluation that incorporates systems thinking and ongoing dialogue and collaboration with stakeholders.

Bamberger suggests several principles that evaluators should follow to conduct complexity-sensitive evaluation. First, evaluators should engage with diverse perspectives throughout the evaluation process, including involving stakeholders in the evaluation design, using participatory methods, and being open to feedback. Second, evaluators should use mixed methods to gain a comprehensive understanding of the program being evaluated, including using both quantitative and qualitative data and internal and external data sources. Third, evaluators should be aware of the role of power and politics in shaping development programs and outcomes. Fourth, evaluators should be adaptable and modify the evaluation design and methods as needed.

Overall, Bamberger argues that complexity-sensitive evaluation is necessary to evaluate complex development programs effectively. By adopting a flexible and adaptive approach, evaluators can gain a comprehensive understanding of the outcomes and contextual factors that are present in complex development programs. This can lead to more informed and evidence-based decision-making, ultimately improving the effectiveness and impact of development programs.

Along this there are several more straightforward statistical, mathematical and quantitative methods that can be used to evaluate economic development.

Regression analysis is a statistical method that can be used to explore the relationships between different economic variables, such as GDP and investment levels. By analyzing the patterns and trends in these relationships, economists can gain insights into the factors that are driving economic development. Econometric modeling is another mathematical method that involves constructing mathematical models of economic systems and using them to make predictions about future economic outcomes. These models can be used to evaluate the effectiveness of different economic policies and to identify the factors that are driving economic development.

Index construction involves creating composite measures of economic development by combining multiple indicators, such as GDP, poverty rates, and education levels. By constructing these indexes, economists can gain a more holistic understanding of economic development and track progress over time.

3.4. Economic Development Determined by World Institutions

International organizations play a vital role in monitoring and promoting economic development around the world. These organizations bring together countries, institutions, and experts to coordinate policies, share knowledge, and provide technical assistance to countries in need.

One of the most well-known international organizations focused on economic development is the World Bank. In 1944 the World Bank was founded to finance and support struggling countries to fight against poverty and reach the state of economic efficiency. The World Bank is highly focused on promoting sustainable economic growth by investing in human capital, infrastructure, and institutions that can help countries build a better future for their citizens. (World Bank, 2021). The organization defines economic development as a process of raising the standard of living of the population, ensuring sustainable economic growth, and reducing poverty in the world. According to the World Bank, economic development is achieved by improving the level of production and consumption, enhancing people's living standards, and strengthening social institutions such as health, education, and culture.

The World Bank assesses the economic development of countries based on various indicators, including per capita income, poverty, social development indices, health and

education indicators, infrastructure and technological development, and investment levels. Additionally, the organization analyzes a country's economy to determine its industrial, agricultural, and service sectors, as well as its level of competitiveness in the global economy.

Overall, the World Bank sees economic development as a multifaceted process that should take into account not only economic growth, but also the social and environmental well-being of people and the sustainability of the economy in the long term. The organization encourages countries to develop in accordance with the principles of sustainable development and global cooperation to achieve common goals of economic development at a global level.

The International Monetary Fund (IMF) is a significant international organization focused on economic development. It aims to promote global economic stability and reduce poverty by offering policy advice, financial assistance, and technical assistance to its member countries. The IMF's primary goal is to ensure the stability of the international monetary system and foster sustainable economic growth (International Monetary Fund, 2021).

According to the IMF, economic development is characterized by a country's economy becoming more productive and growing faster than its population. To measure economic development, the IMF typically uses indicators such as GDP (gross domestic product) and GDP per capita to assess how well a country is producing goods and services and how per capita income is distributed.

In addition, the IMF places great emphasis on the sustainability of economic growth, believing that it cannot be truly sustainable unless it is supported by stable macroeconomic foundations such as low inflation, moderate budget deficits, and sustainable external debt. The IMF also evaluates economic development based on its social impact on the population, striving for economic development that helps reduce poverty and improve the well-being of the population. To achieve this goal, the IMF uses indicators such as the unemployment rate, the level of income inequality, and the level of access to education and health care. In summary, the IMF defines economic development as sustainable and moderately rapid economic growth that improves the well-being of the population and is based on stable macroeconomic foundations.

The United Nations created the Human Development Index (HDI) in 1990 as a way to measure and compare the development levels of different countries. The concept was developed by the Pakistani economist Mahbub ul Haq, and was inspired by the work of Nobel laureate Amartya Sen, who argued that economic development should be assessed in terms of people's well-being and not solely in terms of economic growth. The HDI uses three key indicators: life expectancy at birth, education (measured by adult literacy and the average years of schooling), and gross national income (GNI) per capita, adjusted for purchasing power parity (PPP).

The HDI takes into account several factors related to health, including life expectancy at birth and maternal mortality rates. Life expectancy at birth is a measure of the average number of years a person is expected to live from birth, while maternal mortality rates indicate the number of deaths per 100,000 live births due to pregnancy-related causes. These indicators reflect a country's ability to provide its citizens with adequate healthcare services. Education is another key dimension of the HDI, and it is measured using two indicators: mean years of schooling and expected years of schooling. Mean years of schooling is the average number of years of formal education that a person receives, while expected years of schooling is the number of years of schooling that a child of school-going age is expected to receive. These indicators reflect a country's ability to provide access to quality education for its citizens. The third dimension of the HDI is standard of living, which is measured using GNI per capita. GNI per capita is a measure of the total income earned by a country divided by its population. This indicator reflects the economic well-being of a country's citizens.

The HDI is calculated by combining the values of the three dimensions of human development into a single index value. The values for each dimension are first normalized using a minimum-maximum approach, which sets the lowest value to zero and the highest value to one. The normalized values are then combined using a weighted average formula to arrive at the final HDI value. The weights used for each dimension are equal, meaning that each dimension contributes equally to the overall HDI value.

The HDI is widely used as a measure of development, and it has been used to track progress in human development across countries over time. Countries are classified into four categories based on their HDI value: very high human development, high human development, medium human development, and low human development. The classification is based on a set of predetermined threshold values for the HDI index.

The HDI has received some criticism for its limitations. For example, it does not take into account factors such as gender inequality, political freedoms, and environmental sustainability. In response to these limitations, the UNDP has developed other composite indices, such as the Gender Development Index (GDI) and the Multidimensional Poverty Index (MPI), to provide a more comprehensive picture of human development.

Overall, the Human Development Index provides a valuable tool for measuring and comparing levels of development across countries. It has helped to raise awareness of the importance of human development and has encouraged policymakers to focus on improving the well-being of their citizens.

These organizations work together with governments, civil society, and private sector partners to promote inclusive and sustainable economic development around the world. By providing technical assistance, policy advice, and financial resources, international organizations can help countries to build the institutions, infrastructure, and human capital needed to support long-term economic growth and development.

Table 1. Classification of international organizations by scope of economic evaluation

International Socio-Economic Organizations	Aggregated Indices
UN	Human Development Index
International Economic Organization	**Macroeconomic Indicators**
IMF	GDP, GNI, Inflation, Exports, Imports etc.
World Bank	
WTO	Foreign Trade Volume, Trade Tariffs
Rating Agencies	**Credit Ratings**
Standard & Poor's	Credit Ratings
Moody's	
Fitch Ratings	

International Non-Governmental Organizations	Institutional Indices
Transparency International	Corruption Perceptions Index
International Economic Forum	Global Competitiveness Index
Heritage Foundation	Index of economic freedom
Doing Business	Index of Ease of Doing Business

Source: by Author

4. Economic Development in Tajikistan

4.1. Overview of Economy of Tajikistan

Tajikistan is a country located in Central Asia with population of 9.8 million people and with dominant role of agriculture and production of hydroelectricity in the economy and high reliance on transfers from migrant workers abroad. Tajikistan is rich in natural resources, but their use in economy is limited due to geographical inaccessibility or lack of investment. Out of 400 confirmed deposits less than 25% is in use where coal, metal ores and minerals are mined. There are about 3.5 billion tons of confirmed deposits of coking coal in Tajikistan which in the leading position in the region.

In Soviet times, the structure of the economy of the Tajik SSR had an industrial-agrarian character. Energy, metallurgy, chemistry and mechanical engineering had broad inter-republican ties. At the same time, the republic was assigned the role of a supplier to the union market of agricultural products, mainly cotton fiber, silk, vegetables, and fruits. At the same time, insufficient attention was paid to the development of a complete cycle of industrial production, which predetermined its degradation in the conditions of the collapse of the USSR. The sharp decline in the economy in the first years of independent existence was due to the rupture of inter-republican economic ties, the cessation of the receipt of allied subsidies and assistance.

Inter-Tajik conflict 1992–1997 aggravated the transformational recession, led to significant destruction and numerous casualties. It also increased the loss of industrial activity in the economy. The situation was aggravated by the departure of highly professional specialists, the destruction of industrial facilities focused on the supply of raw materials and components from other union republics. Under the influence of these factors, as well as due to the increase in cheap imports from other countries, many industrial enterprises ceased to exist. The restoration of economic growth became possible only after the end of the civil war. That's when the economy started to pick up. According to the World Bank, GDP dynamics exceeded 6% per year.

Between the years 1998 and 2010, a period of significant growth and economic prosperity was experienced in the country. This growth was facilitated by various factors such as the stabilization of the domestic political situation, which encouraged investor

confidence and led to an increase in investments. Additionally, the country benefited from international assistance of international institutions, as well as high prices for its main exported goods, namely cotton and aluminum.

Furthermore, during this period, the country experienced a peak in cash receipts from the earnings of labor migrants, which amounted to a staggering 49.6% of the country's GDP in 2008. This influx of funds contributed to what was known as the "recovery growth," which created a surge in domestic demand for agricultural products, other goods, and services. As a result, the country's economy flourished, and its people experienced improved standards of living.

Graph 4. GDP growth rate in Tajikistan and World (1998 – 2011)
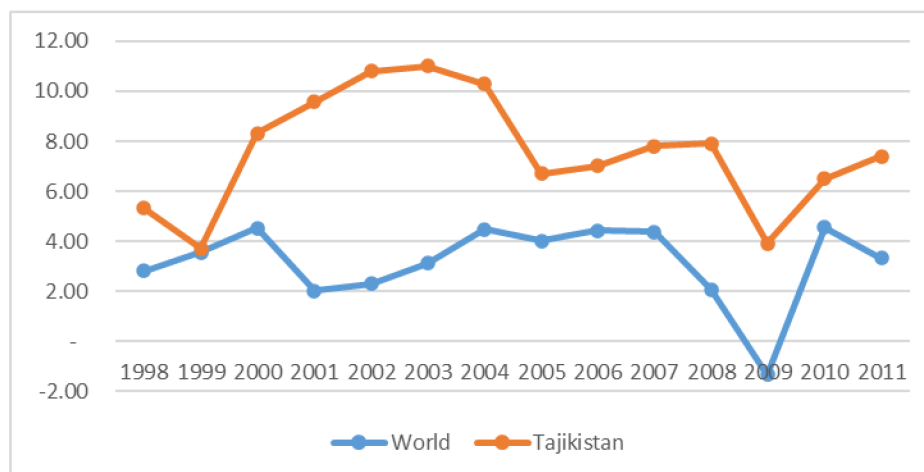
Source: World Bank Development Indicators, 2022

In the last decade GDP in Tajikistan grew at rate of 7%-9%, which is higher than world average and higher than in some CIS countries. The main factors of economic growth, according to the World Bank, were industrial products and services. Demand growth supported net exports and domestic investment. The decline in remittances reduced private consumption in 2019. In 2020, the trend continued, the situation was complicated by the impact of the consequences of the COVID-19 pandemic, the level of GDP decreased to 4.5%. Investments, remittances, exports of goods have decreased in 2020, but in 2021 the economy began to recover, and real GDP rose to 8.7%.

Table 2. Main Economic Indicators of Tajikistan (2016 – 2021)

	2016	2017	2018	2019	2020	2021
GDP (in bln. US$)	6.99	7.54	7.77	8.30	8.13	8.75
GDP growth rate (in %)	107	107	108	107	104	109
GDP per capita (in US$)	801	844	851	889	852	897
GDP per capita, PPP (in US$)	3,093	3,236	3,486	3,726	3,852	4,288
Industry (in bln. US$)	2.25	2.40	2.67	2.74	2.75	3.35
Industry (annual % growth)	116	120	112	113	109	122
Services (in bln. US$)	2.60	2.93	2.85	3.08	2.87	2.95
Services, growth rate (in %)	101	103	107	108	102	103
Agriculture (in bln. US$)	1.46	1.53	1.54	1.73	1.95	2.08
Agriculture, growth rate (in %)	105	107	104	107	109	107
Foreign direct investment, net inflows (in bln. US$)	0.24	0.19	0.22	0.21	0.11	0.08
Remittances (in bln. US$)	1.87	2.24	2.18	2.14	2.19	2.92
Official exchange rate (LCU per US$)	8	9	9	10	10	11
Inflation (in %)	3.54	9.81	2.49	3.66	4.66	7.88

Source: World Bank Development Indicators, 2022 and Statistical database of National Bank of Tajikistan, 2022

If we look at the contribution to the country's GDP by industry over 30 years, we will see a trend towards an increase in the share of services, while the government is making special efforts to restore the industry.

In 1991, industry accounted for 27%, services - 25%, in 2020 - 17.4 and 55.1%, respectively (Table 2). And for 2021, industrial production amounted to 18.2% of the country's GDP. At the same time, it should be noted that the structure of industrial production has changed: if in 2015 the mining and food industries, non-ferrous metallurgy products, the production of electricity and building materials were in the lead, then in 2021 the share of the manufacturing industry increased while maintaining the positions of mining and energy.

Table 3. Sectoral structure as a percentage of the total GDP

Years	Industry	Agriculture	Construction	Services
1991	27,0	36,9	10,3	25,8
2000	36,5	27,3	2,3	33,9
2010	16,5	21,8	11,5	50,2
2015	14,6	25,0	13,4	47,0
2016	15,1	20,7	11,2	41,7
2017	17,0	21,1	9,3	59,3
2018	17,4	18,7	9,7	53,6
2019	17,3	19,8	8,8	52,8
2020	17,4	22,6	4,9	55,1
2021	18,2	18,1	9,4	54,3

Source: Statistic Agency of the Republic of Tajikistan, 2022

The volume of industrial production in Tajikistan reached 3.4 billion USD in 2021, which is an increase of 21% or 0.8 billion USD more compared to 2020. The processing industry contributed to the majority of the growth, with a volume of 2.2 billion USD, which is 16% or 300 million USD more than in 2020. In the same reporting period, the extractive industry recorded a volume of 800 million USD, a 50% increase or 270 million Somoni more than in 2020. The processing industry had the highest share of 58%, followed by mining at 21%, electricity and energy 20%, and water supply, 1%.

The growth in manufacturing in the reporting period was observed in various sectors, including food production along with beverages and tobacco (105%), textile, clothing, leather, leather, and footwear (140%), metallurgy, and finished metal products (110%), chemicals (160%), rubber and plastics (123.9%), and pharmaceuticals (97%). These sectors accounted for 97% of the total output of the processing industry.

Tajikistan seeks to use the existing rich water potential for economic development. It is known that the construction of hydroelectric power plants in recent years has become an important part of the proclaimed industrialization of economic development. This strategy has been pursued by the authorities for the last twenty years. During the years of sovereignty, cascades of small hydroelectric power stations, large hydroelectric power plants Sangtuda-1, Sangtuda-2, Pamir-1 were built. The Rogun HPP is in the process of construction, which has actually been elevated to the rank of a national idea. Putting it into operation will allow achieving another important declared goal - ensuring the energy independence of the

country. Installed generation capacity in Tajikistan today is 5810 megawatts (MW), of which 3000 MW comes from the Nurek hydro facility, about 1900 MW from various run-of-river hydro plants, and just under 600 MW from combined heat and power (CHP) plants at just under 600 MW.

Tajikistan's economy is largely dependent on its agricultural sector, which employs around 75% of the country's workforce and contributes about 20% of its GDP. The agricultural sector in Tajikistan is heavily influenced by the country's geography and climate. Over 90% of the country is mountainous, and only around 7% of the land is suitable for agriculture. The climate in Tajikistan is continental, with hot summers and cold winters, making it difficult to grow crops year-round. The most important crops grown in Tajikistan are cotton, wheat, and fruits such as apples, apricots, cherries, and grapes. The country is also known for its almonds, pistachios, and walnuts. Animal husbandry is another important component of Tajikistan's agricultural sector, with livestock such as cattle, sheep, and goats being raised for meat, milk, and wool.

Graph 5. Development in production of main agricultural products (in ths. tones)
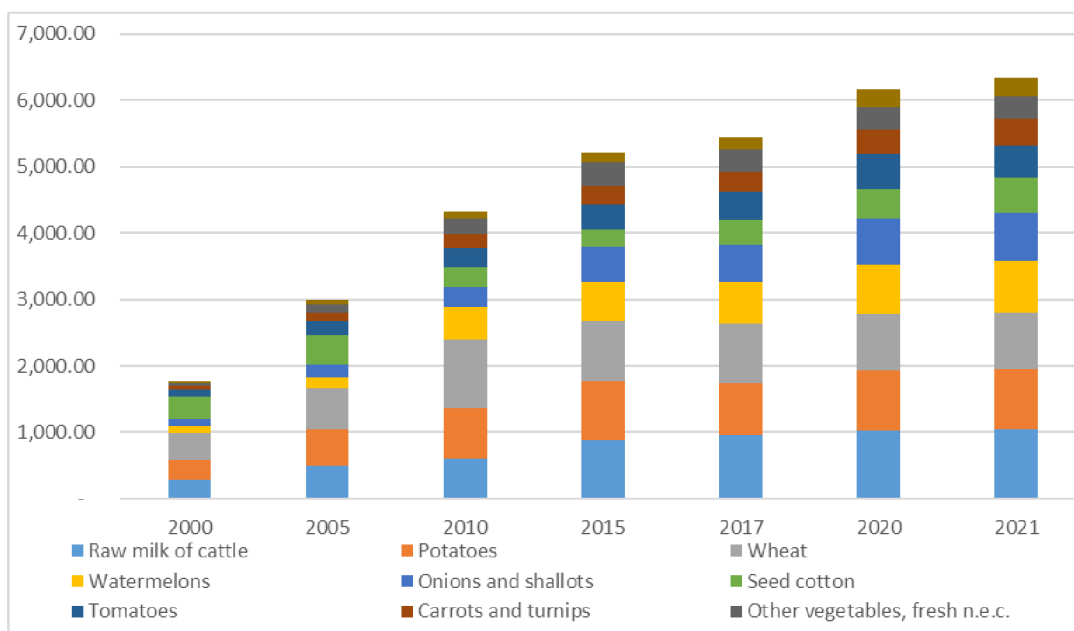
Source: FAO Statistic Database

In the last 2 decades Tajikistan significantly improved internal production of agricultural commodities increasing total production over 3 times. At the same time there was a structural change in the commodity composition of agricultural production. In the early ears agricultural sector was mainly oriented to export while in the recent decade focus of production was devoted to supply of internal demand. Share of the main export product - cotton and fruits has decreased while crops, vegetables and animal production has grown significantly.

Among the highest growing agricultural products, we can observe significant progress both in volume and rate in production of meat products – chicken meat grew 30 times and cattle meat 7.3 times in the last decade. Similar growth was observed in production of bean and nuts.

**Table 4. Highest developing agricultural products in 2011 - 2022**

	2011	2021	Growth Rate
Pepper	309	21,269	6882%
Green garlic	253	9,724	3844%
Meat of chickens	1,054	30,900	2932%
Beans	4,359	37,106	851%
Cattle fat	955	7,142	748%
Edible offal of cattle	6,030	45,110	748%
Meat of cattle	28,642	214,273	748%
Other beans	4,359	31,823	730%
Safflower seed	981	6,329	645%
Groundnuts	4,757	19,268	405%
Eggs	13,050	42,000	322%

Source: FAO Statistic Database

In 2021 Tajikistan produced 6.7 mln t. of crops out of which cotton was the largest contributor to agricultural output in with a total production of 1,1mln tones, representing a significant increase of 16.6% compared to the previous year. Wheat production, on the other hand, decreased by 11.8% to 1,15mln tones. The production of vegetables and fruits, which are essential for food security, remained stable with a slight increase of 0.2%, totaling 3,5 mln tones.

In addition to these key crops, Tajikistan also produces a range of other agricultural products, including barley, maize, rice, and potatoes. The government has continued to prioritize agricultural development and has implemented policies aimed at increasing productivity, improving rural livelihoods, and promoting sustainable agriculture.

Graph 6. Animal production in 2011 and 2021
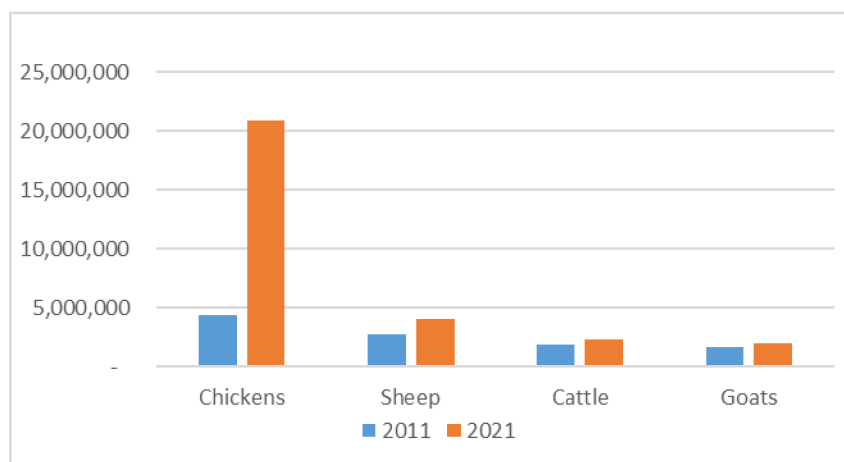
Source: FAO Statistic Database

In 2011, animal production in Tajikistan was an important part of the country's agricultural sector, accounting for approximately 17% of the country's total agricultural output. The majority of livestock in Tajikistan were kept for subsistence purposes, with only a small percentage raised for commercial purposes. The structure of the livestock population has not changed, however significant increase in production of chicken can be observed over the last decade. In 2021 number of all cattle reached 29.7 mln heads. Despite these increases, the sector still faces challenges, including a lack of modern infrastructure, limited access to veterinary services, and low levels of productivity.
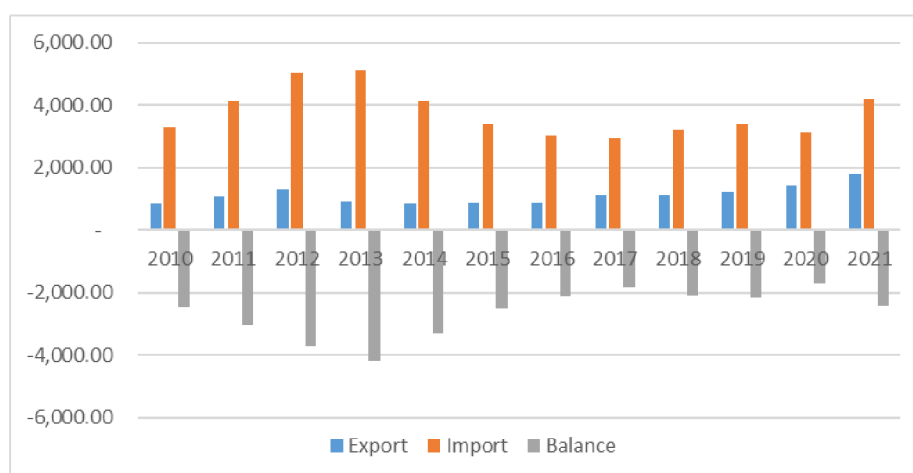
4.2. Tajikistan in International Trade

In 2021, the total exports and imports of of Tajikistan amounted to $6,004 million US, which is 32.4 percent or $1,489 million US more than in 2020. The trade balance was negative and amounted to $2,403 million. Tajikistan conducted trade activities with 120 countries of the world (Customs Office).

Total turnover with the regional group of countries of Eurasian Economic Community (EEC) amounted to $3,120.1 million, which is 49.1 percent of the country's total turnover, while non-EEC countries procured $3,239 million, or 50.9 percent. The trade balance deficit with the EEC members was to $1,970.8 million.

In general, the volume of foreign trade turnover in 2021 compared to 2020 with the EEC countries increased by 32.4 percent or by $762.2 million, with non-EEC countries increased by 47.2 percent or by $1,039.1 million.

Graph 7. Foreign Trade Balance of Tajikistan (2011-2021, in ths. USD)

Source: Statistics of Customs Office of Tajikistan.

Over the last decade total turnover grew at average rate of 4.6% with export growing at 8.5% and import at 3.6% rate. Highest rates of growths were observer in early 2011-2012 when international trade was growing over 20% rate and negative rate occurred in years 2013-2016. Such decrease was caused mainly due to beginning trend of reduction in the exports of aluminum, from $680 mln in 2011 to $377 mln in 2013, and $139 mln in 2021. Similar trend was observed in imports when in 2014 Tajikistan reduced imports of fuels (from $769 mln in 2014 to $554 mln in 2015) and transport (from $437 mln in 2014 to $199 mln in 2015). Recovery in export started in 2017, mainly due to increase in the exports of gold ($1.5 mln in 2017 to $665 mln in 2021) and recovery of imports in fuel.

Graph 8. Geographical Structure of Exports and Imports in 2021
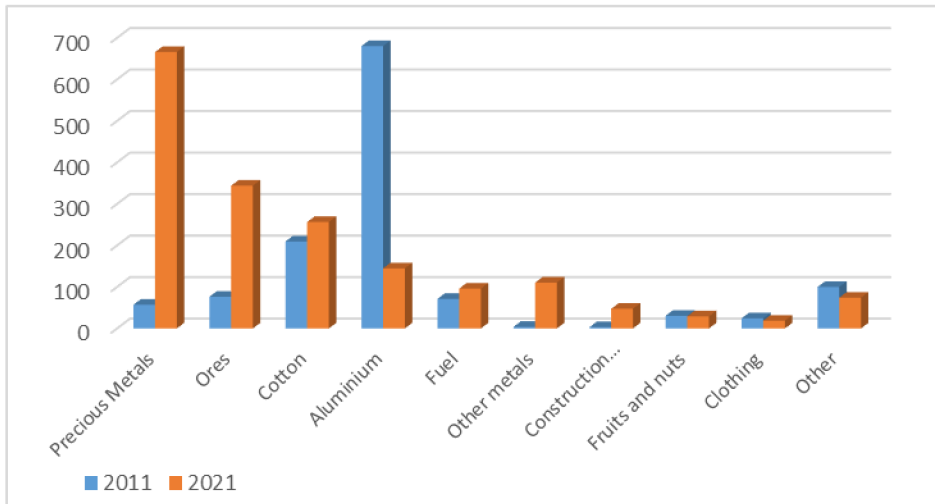

Exports

Imports
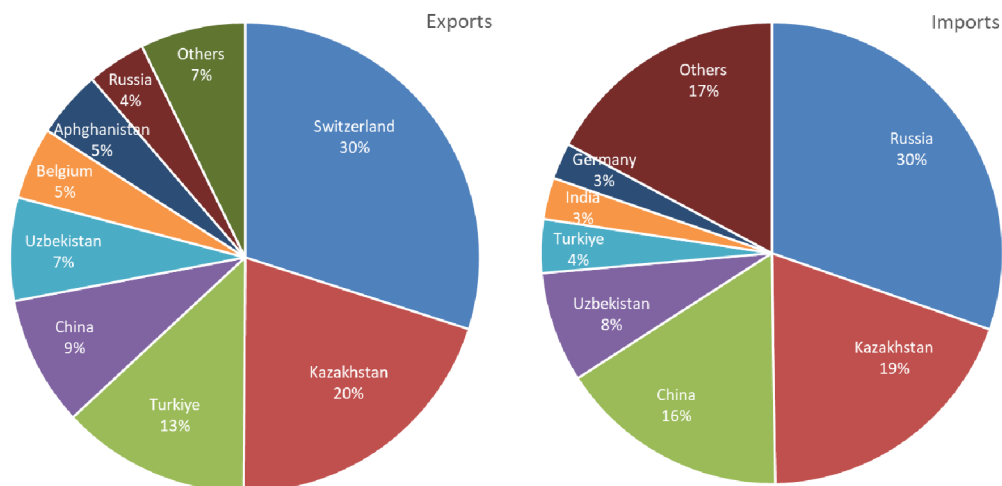
Source: Customs Service of Tajikistan

Export of goods in 2021 amounted to $1786 million, which is 26.8 percent or $377 million more than in 2020. The main partners in the export of goods were: Switzerland (30% of the total export of goods), Kazakhstan (20%), Turkey (13%), China (9%), Uzbekistan (7%), Belgium (5%), Afghanistan (5%), Russia (4%). In geographical structure of exports, we can clearly observe lack of diversification, where only 2 countries made-up 50% of total exports, and only 8 countries were destination of 93% of goods. This can be explained due to limited nomenclature in the export commodities as well as regional orientation of exports.

Import of goods to the Republic of Tajikistan in 2021 amounted to $4,217 million, which is 35% or $1092 million more than in 2020. Such growth in 2021, both for imports and exports can be explained due to post pandemic recovery, which was a common pattern in the world. Imports were mainly carried out from the following countries: Russia (30% of total imports), Kazakhstan (19%), China (16%), Uzbekistan (8%), Turkey (4%), India (3%), Germany (3%).

Graph 9. Structure of exports in 2011 and 2021 (in ths dollars)

Commodity structure has not changed from the main nomenclature points, when 8 main products assured over 90% of exports. However, withing this group there were significant changes. In 2011 export of Aluminum was 54% of total exports of Tajikistan whereas in 2021 share of this position dropped to 8.1%. Substitute to aluminum Tajikistan rapidly increased exports of precious metals, namely Gold from $57 mlns to $665 mlns, resulting in increase in share from 4.6% to 37.2% in year 2011 and 2021 respectively. Export of ores also increased in nominal values from $76 mln to $158 mlns and became second largest commodity group passing the exports of cotton to the third position.

Graph 10. Structure of imports in 2011 and 2021 (in ths dollars)
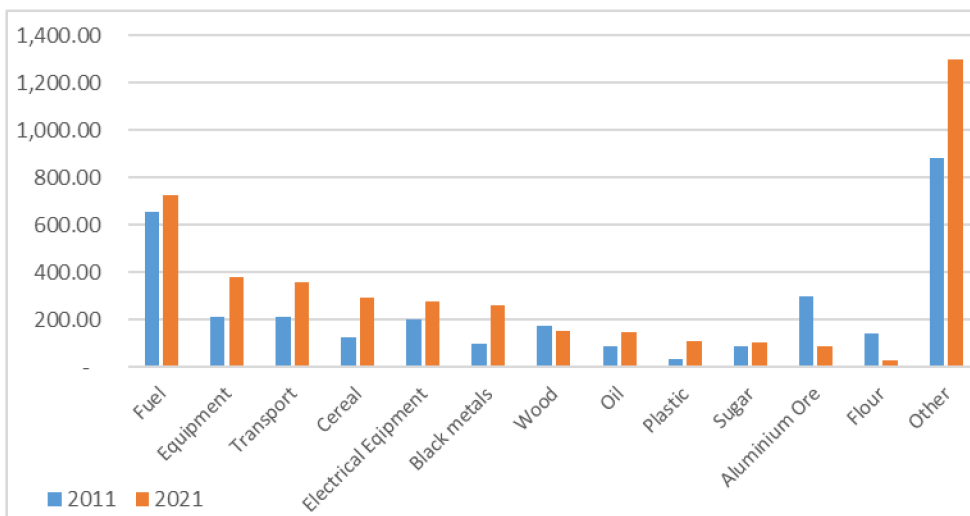
In 2021 import growth was at rate of 34.9% largely due to ease of transportation restrictions after COVID pandemic and recovery from 2020 downturn. Over the decade main structural change in imports was in significant decrease of aluminum ore, as exports of pure aluminum slowed down starting from 2014. Comparing to exports commodity structure of imports is more diverse, however fuel, machinery and equipment and cereals make 48% of total import.

4.3. Socio-Economic Development of Tajikistan.

Social development and economic development are interdependent, with social development playing a vital role in promoting economic growth and reducing poverty. Investing in social development programs, such as education, healthcare, and nutrition, is crucial for building human capital, which plays a vital role in promoting economic growth. A well-educated and healthy workforce tends to be more productive and innovative, contributing to increased economic growth. Additionally, social development policies that address poverty, inequality, and social exclusion can foster more inclusive economic growth. By ensuring access to essential services and opportunities for all members of society, including women, minorities, and marginalized groups, social development can help reduce inequality and promote sustainable and equitable economic growth. These policies also have macroeconomic benefits as they promote social stability and reduce the risk of social unrest.

In recent years, Tajikistan has made significant strides in social development, despite facing challenges such as poverty, inequality, and political instability. In the education sector, the literacy rate has increased to 99%, and the number of students enrolled in primary and secondary education has also increased. The country has also made progress in improving healthcare services, reducing maternal and child mortality rates, and combating infectious diseases such as tuberculosis. Efforts have been made to improve nutrition and food security, with the implementation of programs aimed at improving access to clean water and sanitation facilities. Despite these positive developments, however, challenges still remain, particularly with regard to gender equality, youth unemployment, and social exclusion of vulnerable groups. Nonetheless, continued investment in social development programs and policies can further promote economic growth and reduce poverty in Tajikistan.

41

Unemployment has been a persistent challenge in Tajikistan over the past decade, with high levels of youth unemployment and underemployment contributing to social and economic challenges in the country. According to the World Bank, the unemployment rate in Tajikistan has remained relatively stable over the past decade, hovering between 9% and 7%. However, these official figures may not fully capture the extent of underemployment and informal work in the country, particularly in rural areas where many people work in agriculture or small-scale businesses.

Table 5. General Socio-economic indicators in 2012-2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Unemployment (in %)	9.57	8.90	8.23	7.55	6.90	6.95	7.00	7.04	7.49	7.74
Life expectancy (years)	68.48	68.89	69.07	69.31	69.55	69.91	70.35	70.87	71.10	...
Mortality rate	35.00	34.20	33.40	32.60	31.80	31.00	30.20	29.40	28.50	27.60
Net migration (in ths.)	-28	-25	-22	-19	-16	-13	-10	-7	-4	-4
Population (in mlns)	7.96	8.14	8.33	8.52	8.73	8.93	9.13	9.34	9.54	9.75
Poverty rate (% of popul.)	...	34.30	32.00	31.30	30.30	29.50	27.40	26.30	25.40	25.20

Source: World Bank Development Indicators, 2022. Statistic Agency of the Republic of Tajikistan, 2022

Youth unemployment has been a particular concern in Tajikistan, with young people facing significant challenges in accessing education and employment opportunities. According to the International Labour Organization, the youth unemployment rate in Tajikistan was around 15% in 2020, with young women facing particular challenges in accessing employment opportunities. The COVID-19 pandemic has had a significant impact on employment in Tajikistan, with many businesses closing and unemployment rising as a result. According to a survey by the International Labour Organization, around 55% of enterprises in Tajikistan reported laying off staff or reducing working hours during the pandemic.

One of the key areas of progress in Tajikistan has been in the field of education. The government has invested heavily in improving access to education, particularly at the primary and secondary levels. The literacy rate in Tajikistan has increased significantly, with the UN reporting that it has risen from 99.8% in 2000 to 99.9% in 2021. Tajikistan has made

significant strides in economic and social development, including increased access to education and reduced poverty rates. Between 2000 and 2021, net primary school enrollment in the country rose from 87% to 98%. Additionally, access to basic services has improved, with poverty rates dropping from 81% in 2000 to 25% in 2021, and electricity access expanding from 44% to 100% in the same period. However, income inequality remains a challenge, as indicated by the high Gini coefficient.

Over the past two decades, Tajikistan's Human Development Index (HDI), as measured by the United Nations Development Programme, has steadily improved. In 2000, Tajikistan was classified in the low human development category, with an HDI of 0.608. By 2020, the country's HDI had increased to 0.664, placing it in the medium human development category. This improvement is attributed to various factors, such as advancements in healthcare, education, and economic growth. For instance, life expectancy at birth increased from 63.2 years in 2000 to 70.8 years in 2020, and the mean years of schooling for adults aged 25 and above grew from 6.1 years in 2000 to 9.6 years in 2020, both reflecting improvements in health and education.

However, despite these improvements, Tajikistan still faces significant challenges in terms of human development. For example, poverty remains a significant challenge, with around 30% of the population living below the poverty line. In addition, there are significant disparities in human development outcomes between urban and rural areas, as well as between different regions of the country.

In summary, Tajikistan has made progress in several areas of social development, including education, health care, economic development, and gender equality. However, significant challenges remain, particularly in addressing poverty, inequality, and political instability. Ongoing investment in social development is crucial for ensuring continued progress and improving the well-being of the Tajik people.

4.4. SWOT Analysis of the Economy of Tajikistan

Strengths of Tajikistan's Economy:

One of the major strengths of Tajikistan's economy is its abundant natural resources, including minerals and water resources, fertile land suitable for agriculture, and it can produce a variety of crops. The country has significant reserves of silver, gold, uranium, and coal, and its rivers provide ample hydroelectric power potential. It is estimated that Tajikistan has the potential to generate up to 527 billion kWh of hydroelectricity per year, which is more than 90 times than the current internal consumption (Hydropower Status Report, 2022) and can be sold to cover the needs of developing neighbor countries who are facing shortages for electricity. In recent years Tajikistan managed to build and successfully operate number of large-scale hydropower plants. Nurek Hydropower Plant being the largest and highest dam in Central Asia, and the Rogun Hydropower Plant to be even larger currently under construction already partially generating energy. Hydropower is a key sector for Tajikistan's economic development, as it has the potential to generate significant revenue through electricity exports to neighboring countries such as Afghanistan, Pakistan, and Uzbekistan.

Another strength of the Tajikistani economy is its highly skilled and educated workforce, which can be attributed to its Soviet-era education system. Education stands to be the vital part of social life of population, and literacy rate is comparably high among the countries with similar economic development. The country has a high literacy rate, and many Tajik people are proficient in regional languages such as Uzbek and Russian having it as their second spoken language. This allows easily communicate and carry out economic activities with neighboring countries. Tajik language (or Persian) is official spoken language in Afghanistan and Uzbek is one of the main languages of Xinjiang Autonomous region of China.

Above point is strongly connected with next strength of Tajikistan economy, which is remittance. Tajikistanis working abroad send a significant amount of money back to their families in Tajikistan, which helps to support the country's economy by reducing level of poverty, unemployment and increase internal investment capabilities, and create a healthy level of demand to support internal production.

Tajikistan is situated in a favorable location as it lies at the intersection of key trade routes in Central Asia. Its strategic location makes it well-positioned to serve as a transit point for goods and services between Europe and Asia. To realize its potential as a trade hub, however, it is essential for Tajikistan to improve its infrastructure, particularly its transportation and communication networks. By doing so, it will enhance connectivity not only within the country but also with its neighboring nations. The government has already initiated several infrastructure projects, including the construction of a railway line linking Tajikistan to China, to address this issue and drive future economic growth.

Weaknesses of Tajikistan's Economy:

Despite its strengths, Tajikistan's economy faces several challenges. One of the major challenges is its heavy reliance on remittances from Tajikistani migrant workers abroad. Being already in the strength point, this factor can also follow with certain risks and downsides. The country's overreliance on remittances makes it vulnerable to external shocks, such as changes in the global economy, political instability in host countries, or even can be used as an instrument of pressure toward Tajikistan.

Tajikistan also faces challenges in terms of infrastructure, as the country's transportation and communication systems are underdeveloped. The country has limited road and rail networks, which makes it difficult to transport goods and services across the country.

Another major challenge facing the Tajikistani economy is corruption. The country ranks poorly on the Transparency International Corruption Perceptions Index being ranked 150th out of 180 countries, which indicates that corruption is a significant problem in the country. Corruption can discourage foreign investment, hinder economic growth, and increase income inequality.

Opportunities:

Development of renewable energy sources: As mentioned earlier, Tajikistan has significant potential for renewable energy production, particularly in hydropower. Developing these sources could provide a sustainable and affordable source of electricity for

consumers and businesses, reduce reliance on imported fossil fuels, and help to attract investment in the energy sector.

Emerging regional markets can be a great opportunity for the economic growth of Tajikistan. If the rules of international trade are followed, there is a great opportunity for Tajikistan to penetrate neighboring markets and successfully compete. Subject to future developments in politics and security market of Afghanistan withholds unexplored potential which stood outside of international economic relations for so many years. Being close in distance, language and religion can give competitive advantages to Tajikistan in future prospects in this direction.

Threats:

As said in above point neighboring Afghanistan can have a great opportunity but also be a potential threat subject to political stability and security in this country. In the event of bad scenario of developments, not only opportunity will be lost. Investment inflow and realization of high-cost projects may be suspended in Tajikistan due to increasing risk in region.

Dependency on imports for certain goods and services, particularly energy and food, which can be affected by global price fluctuations. Fuel and wheat have always been major components of Tajik imports and in the short to medium term can be supplied only from external markets. There are no findings of fossil fuel and montunoes landscape does not allow Tajikistan grow wheat to cover internal demand. Being locked by transport infrastructure worsens situation Tajikistan is tied to limited number of seller countries. To avoid monopolistic trap government of Tajikistan seeks access to other markets by implementing infrastructure projects to connect through Afghanistan to South Asia and Middle East.

Chronical outflow of qualified labor force can become irreversible trap to Tajikistan economy. Over the years of economic recovery population learned and established strong bonds with external labor markets of Russia, Kazakhstan, China, South Korean and EU and

current rate of economic growth may not be enough to withhold "Brain drain" and healthy workforce. Investment in human capital may not pay off to growth national economy.

Climate change and environmental degradation, which can affect agricultural production and infrastructure developments. The country is already experiencing the effects of climate change, including more frequent and severe droughts, which have led to a decline in hydropower generation. This has resulted in energy shortages, which have had a significant impact on the country's economy and people's daily lives. Additionally, Tajikistan faces challenges related to environmental degradation, including soil erosion, deforestation, and land degradation. These issues can impact the stability of the country's energy infrastructure, as well as the availability of water resources for hydropower generation.

5. Comparison of Selected Countries by Economic Indicators

At the end of 2017, the United Nations prepared the World Economic Situation and Prospects 2018 (WESP) report. In addition to a brief summary, which is presented on the UN website, the report contains 3 chapters and statistical annexes which in summary presents an assessment of the prospects for the global economy based on indicators such as economic growth, investment, international trade, capital flows, the labor market, poverty problems, as well as forecasts for changes in prices, interest rates, monetary and fiscal policy and brings updated methodology on classification of countries according to their levels of economic development.

Graph 11. The world by income
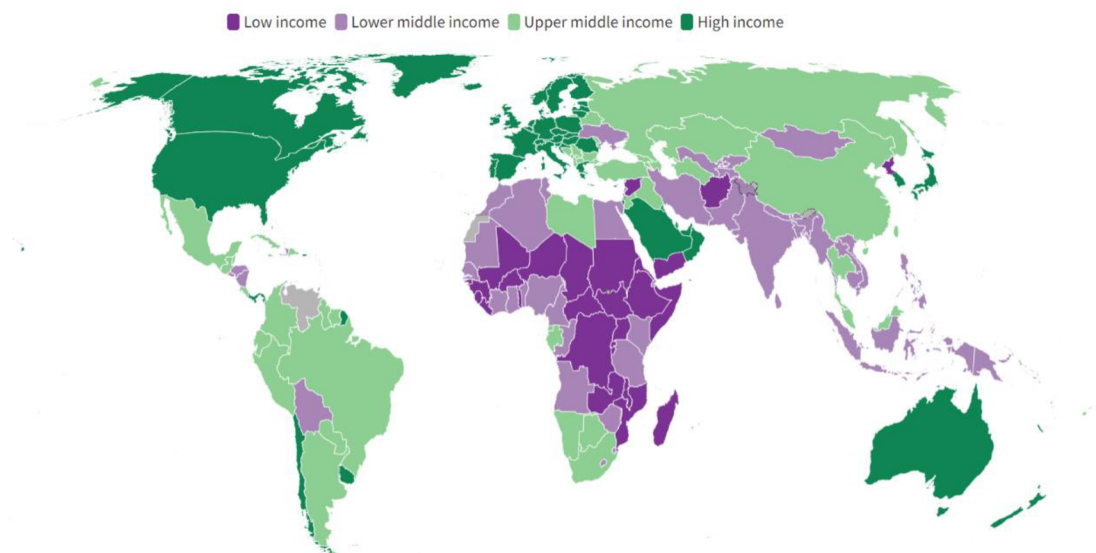
Source: The World Bank

According to the classification of the countries of the world by UN in 2018 they divide all countries of the world into three broad categories: developed countries, transitional (transitive) economies and developing countries. Within each category, subgroups are distinguished, for example, on a geographical basis. Geographic regions for developing countries are Africa, East Asia, South Asia, West Asia and Latin America and the Caribbean.

Also, the category of countries-exporters of fuel is highlighted separately in the UN classifier. An economy is classified as a fuel exporter if the share of fuel exports in its total

merchandise exports exceeds 20% and the fuel exports are at least 20% larger than the country's fuel imports. This criterion is based on the share of fuel exports in the total value of world merchandise trade. The fuels are coal, oil and natural gas.

Another frequently used UN classifier uses an indicator of the level of development of countries, which is measured by gross national income (GNI) per capita. According to this classification there are four groups of countries divided based on the thresholds set on the following level: countries below GNI per capita of one thousand US dollars are considered low-income; countries which stay in the range of 1 to 4 thousand US dollars are lower-middle and in the rage of 4 to 12 thousand US dollars are upper-middle income countries; the rest of the group includes economies with above 12 thousand US dollars GNI per capita and considered as high-income countries.

Above we examined the main classifications of the countries of the world in accordance with the new UN report. Now we will conduct a comparative analysis of certain categories of countries in terms of such indicators as GDP growth rates inflation and unemployment rates. For analysis, we have chosen the countries of the "Big Seven", "Big Twenty" (less "Big Seven"), and the countries of Central Asia.

Graph 12. GDP Growth rate in G7 Countries in 2011-2021
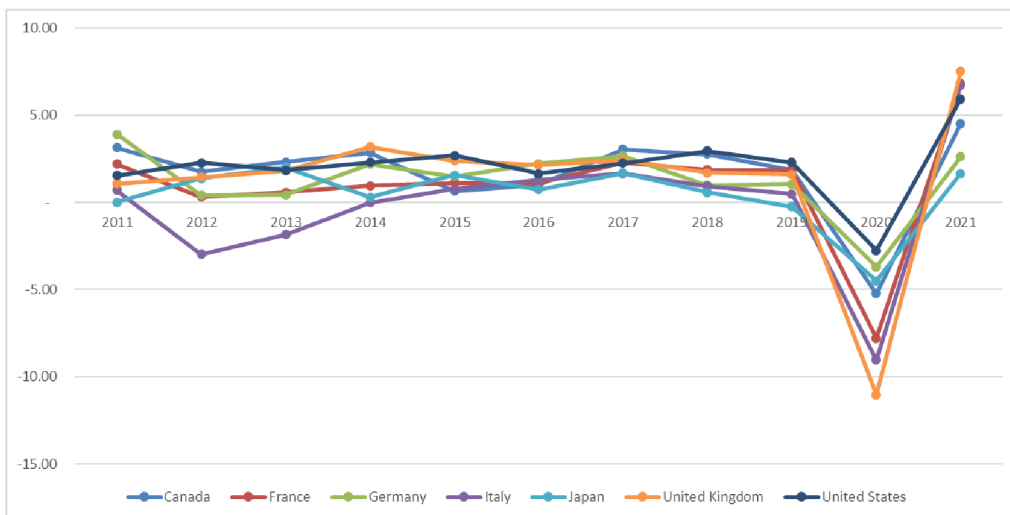
Source: World Bank Development Indicators, 2022

If we analyze the dynamics of economic growth in the G7 countries, it can be noted that all countries were at the phase of post-recession due to the consequences of the global financial crisis of 2008. Moreover, this indicator reached its maximum value in Germany in 2010. G7 countries have an average GDP growth rate of 1.11% in the last decade.

In the G7 group, United Kingdom had the highest economic growth rate in 2021 (7.52%). The UK economy in the situation had the highest decline in the global COVID crisis of 2019-2020 but showed rapid recovery. After the country emerged from the recession, its positions in the list of world leaders in terms of investment attractiveness and GDP growth have improved markedly. Since 2011, all countries have shown steady GDP growth except the pandemic period.

An analysis of economic growth rates in the G20 (excl. G7) countries shows that the most dynamically developing economies in 2012–2021 are China and India.

Table 6. GDP Growth rate in G20 (less G7) countries in 2011-2021 (in%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average (Country)
Argentina	-1.03	2.41	-2.51	2.73	-2.08	2.82	-2.62	-2.00	-9.94	9.40	-0.18
Australia	3.90	2.58	2.58	2.15	2.73	2.28	2.88	2.17	-0.05	2.24	2.35
Brazil	1.92	3.00	0.50	-3.55	-3.28	1.32	1.78	1.22	-3.88	4.62	0.37
China	7.86	7.77	7.43	7.04	6.85	6.95	6.75	5.95	2.24	8.11	6.69
India	5.46	6.39	7.41	8.00	8.26	6.80	6.45	3.74	-6.60	8.68	5.46
Indonesia	6.03	5.56	5.01	4.88	5.03	5.07	5.17	5.02	-2.07	3.69	4.34
Korea	2.40	3.16	3.20	2.81	2.95	3.16	2.91	2.24	-0.71	4.15	2.63
Mexico	3.64	1.35	2.85	3.29	2.63	2.11	2.19	-0.20	-7.99	4.72	1.46
Russian Federation	4.02	1.76	0.74	-1.97	0.19	1.83	2.81	2.20	-2.66	4.75	1.37
Saudi Arabia	5.41	2.70	3.65	4.11	1.67	-0.74	2.51	0.33	-4.14	3.24	1.87
South Africa	2.40	2.49	1.41	1.32	0.66	1.16	1.52	0.30	-6.34	4.91	0.98
Turkiye	4.79	8.49	4.94	6.08	3.32	7.50	2.98	0.78	1.94	11.35	5.22
Average (Year)	3.90	3.97	3.10	3.07	2.41	3.35	2.95	1.81	-3.35	5.90	2.71

Source: World Bank Development Indicators, 2022

In the G20 group of countries, countries with the highest average economic growth rates can be distinguished: China (6.69%), India (5.46%) and Turkiye (5.22%). The average G20 economic growth rate for 10 years was 2.71

In 2021, in the G20 group, Turkiye has the highest economic growth rate (11.35%), the only country showing double digit growth in the last decade. The largest economy in the group, China since 2012 has been experiencing a gradual decline in GDP. According to data published by the IMF, the contribution of the Chinese economy to global economic growth exceeds 25%, and the country remains the most important driver of global economic growth. At the same time, extensive growth, based on scale and pace, has been replaced by intensive growth, focused on quality and profit. The lowest GDP growth rate in the G20 group is shown by countries of Latin America (0.4%).

An analysis of economic growth in the Central Asian countries allows us to conclude that all countries demonstrate relatively different indicators (from recession started in 2013 in Azerbaijan and Mongolia to fairly high economic growth rates in Kyrgyzstan and Tajikistan, although all countries followed the world pattern of economic decline in the pandemic years.

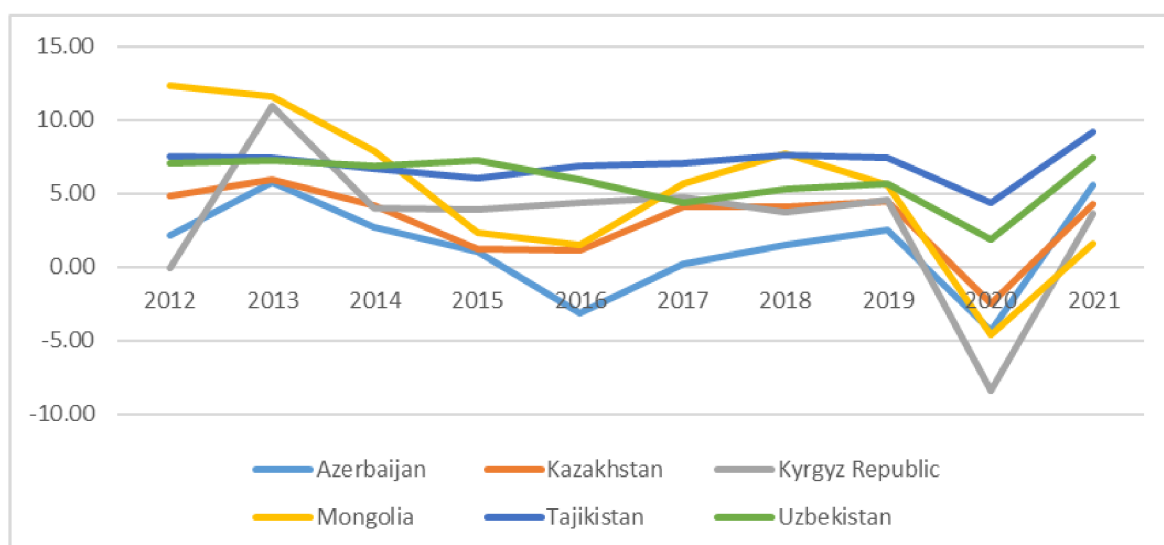**Table 7. GDP Growth rate in Central Asian countries in 2011-2021 (in %)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average (Country)
Azerbaijan	2.17	5.81	2.75	1.09	-3.10	0.20	1.50	2.50	-4.30	5.60	1.42
Kazakhstan	4.80	6.00	4.20	1.20	1.10	4.10	4.10	4.50	-2.50	4.30	3.18
Kyrgyz Republic	-0.09	10.92	4.02	3.88	4.34	4.74	3.76	4.60	-8.40	3.61	3.14
Mongolia	12.32	11.65	7.89	2.38	1.49	5.64	7.74	5.60	-4.56	1.64	5.18
Tajikistan	7.50	7.40	6.70	6.02	6.90	7.10	7.60	7.40	4.40	9.20	7.02
Uzbekistan	7.10	7.30	6.87	7.22	5.93	4.40	5.35	5.71	1.89	7.42	5.92
Average (Year)	5.63	8.18	5.41	3.63	2.78	4.36	5.01	5.05	-2.25	5.30	4.31

Source: World Bank Development Indicators, 2022

Over 10 years, the average economic growth in the Central Asian countries amounted to 4.31% with the highest average value for this indicator in Tajikistan (7.02%) and lowest in Azerbaijan (1.42%).

In 2021, Tajikistan showed the highest rate of GDP growth among these countries (9.2%). According to the world economic analysts, the steady growth of Tajikistan's GDP is due to several reasons. The first is the stable situation in the country, which has created conditions for the confident work of entrepreneurs and business people. The second is the growth of cash receipts from migrants in Tajikistan, which positively affects the economy and social life of the country. Thirdly increase in foreign trade and access to the new markets after country finalized accession to the WTO.

Graph 13. GDP Growth rate in Central Asian Countries in 2011-2021

Source: World Bank Development Indicators, 2022

Analysis of inflation indicators of the G7 countries in 2012–2021 allows us to conclude that in all the economies under consideration it was at the level of 1–2%, and in some years deflation was noted (for example, in the Canada in 2015, in Japan in 2012–2013)

Table 8. Inflation rate in G7, G20 and Central Asian countries in 2011-2021 (in %)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
	G7 Countries										
Canada	1.21	1.74	1.94	-0.88	0.75	2.56	1.62	1.48	0.75	8.07	1.92
France	1.16	0.78	0.58	1.14	0.52	0.52	0.99	1.28	2.78	1.33	1.11
Germany	1.50	1.96	1.88	1.85	1.33	1.50	2.01	2.12	1.81	3.06	1.90
Italy	1.55	1.15	0.91	0.93	1.13	0.73	1.07	0.94	1.61	0.54	1.06

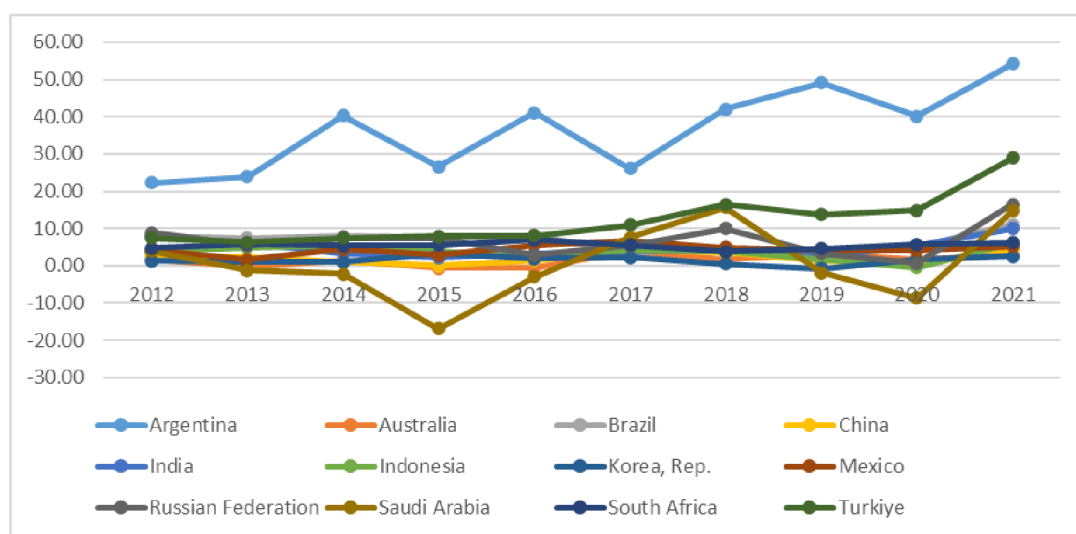| Country											
Japan	-0.76	-0.35	1.69	2.11	0.42	-0.07	0.00	0.64	0.91	-0.88	0.37
United Kingdom	1.48	2.17	1.28	0.71	1.88	1.79	1.74	2.11	5.93	0.37	1.95
United States	1.87	1.75	1.87	1.00	1.00	1.90	2.40	1.79	1.30	4.49	1.94
	G20 Countries										**1.46**
Argentina	22.31	23.95	40.28	26.58	41.12	26.01	42.03	49.20	40.08	54.15	36.57
Australia	1.79	-0.15	1.43	-0.59	-0.61	3.74	1.83	3.40	1.74	2.80	1.54
Brazil	7.94	7.50	7.85	7.57	8.10	3.67	4.49	4.22	5.14	11.10	6.76
China	2.33	2.16	1.03	0.00	1.41	4.23	3.50	1.29	0.49	4.37	2.08
India	7.93	6.19	3.33	2.28	3.24	3.97	3.88	2.39	5.60	9.97	4.88
Indonesia	3.75	4.97	5.44	3.98	2.44	4.29	3.82	1.60	-0.44	6.02	3.59
Korea, Rep.	1.25	1.02	0.91	3.19	1.99	2.22	0.48	-0.84	1.56	2.50	1.43
Mexico	4.07	1.53	4.44	2.84	5.61	6.71	4.95	4.12	4.17	5.16	4.36
Russian	8.91	5.32	7.49	7.25	2.84	5.35	10.00	3.26	0.66	16.47	6.75
Saudi Arabia	4.02	-1.22	-2.27	-16.91	-3.05	7.57	15.68	-1.91	-8.70	14.79	0.80
South Africa	4.69	5.84	5.37	5.55	6.95	5.47	3.75	4.64	5.69	6.22	5.42
Turkiye	7.42	6.28	7.39	7.84	8.13	10.98	16.48	13.82	14.85	28.95	12.21
	Central Asia										**7.20**
Azerbaijan	2.88	0.45	-1.28	-8.85	14.67	16.17	12.18	-0.24	-7.40	21.16	4.97
Kazakhstan	4.79	9.50	5.77	1.82	13.64	11.21	9.21	7.63	4.21	13.93	8.17
Kyrgyz Republic	8.66	3.18	8.42	3.43	6.05	6.33	3.45	3.95	6.12	15.97	6.55
Mongolia	12.78	2.91	7.45	0.61	2.99	10.80	7.96	9.97	3.71	14.42	7.36
Tajikistan	11.87	3.63	4.77	6.87	0.54	9.81	2.49	3.66	1.66	7.88	5.32
Uzbekistan	15.40	11.99	14.02	10.50	8.93	19.06	26.98	17.91	11.65	13.56	15.00
											7.90

Source: World Bank Development Indicators, 2022

The average inflation rate for the covered period for the G7 countries as a whole was 1.46%. The highest average inflation rate was recorded in the UK - 1.95%, which is due to its high rate in 2020 (5.93%). The lowest average inflation rate is in Japan (0.37%), which is associated with deflationary trends in the country's economy. Among the G7 countries in 2021, the lowest inflation rate is observed in Japan (-0.88%). The Central Bank of Japan has been trying to increase the inflation rate to 2% since 2013 in order to accelerate the country's economic growth, but this indicator was not achieved in general, except in year 2015. The highest inflation rate in 2021 is in the UK (1.95%). In 2021, consumer prices jumped. The main pressure on inflation was exerted by withdrawal of the United Kingdom from the European Union in 2020, as well as fuel prices.

Inflation rates in the G20 countries differ quite significantly, since in addition to developed countries, this group includes a number of developing economies, such as, for example, Argentina with galloping inflation in the range from 22% to 54% per year.

The average G20 inflation rate for 10 years was 7.2%, which was highly contributed by highest rate in Argentinian average of 36.6%. Without it the average would have been 4.53%.

Graph 14. Inflation rate in G20 countries in 2011-2021

Source: World Bank Development Indicators, 2022

If we analyze the dynamics of the inflation rate in the Central Asian countries, we clearly observe trends specific for developing countries, with higher fluctuations and rates, primarily noticeable in Uzbekistan and Azerbaijan where rates were above or higher than 10% with peak in Uzbekistan in 2018 reaching 28%. Decade average across all countries – 7.9%

If we analyze the unemployment rate in the G7 countries, it can be noted that not all countries meet the unemployment threshold set by the International Labor Organization of 8-10% (ILO, 2019). During the analyzed period, the lowest unemployment rates were in Japan which did not exceed 4.36%, and the highest in Italy with more than 12% in some years.

Graph 15. Inflation rate in Central Asian countries in 2011-2021
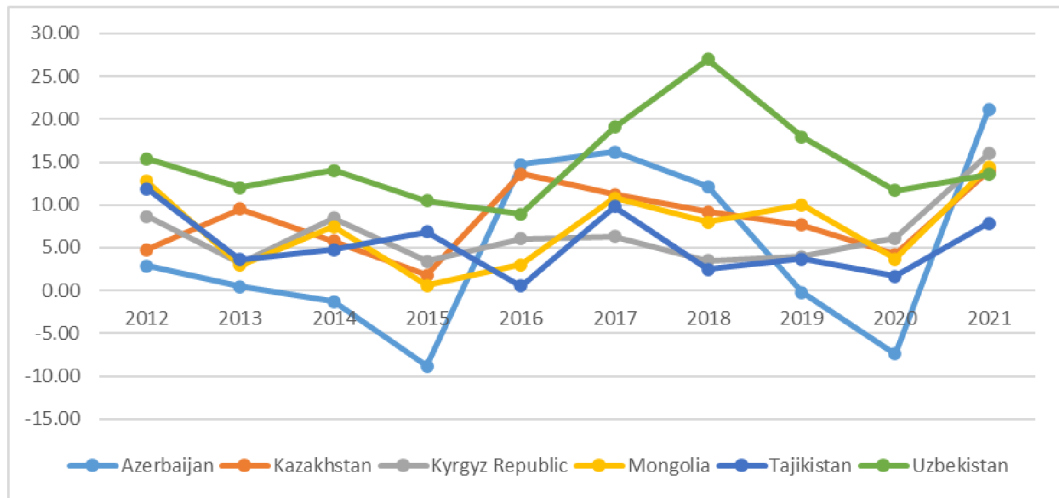
Source: World Bank Development Indicators, 2022

In 2021, the G7 group had the lowest unemployment rate in Japan (2.8%). This is one of the lowest figures since over a decade and can be explained due to specific state employment policy of lifetime employment of workers until retirement.

Italy had the highest unemployment rate in the G7 countries in 2021 (11%). One of the factors behind such a high figure is the high level of income tax from entrepreneurs and the high level of tax that they have to pay for each employee to. Another reason is the high retirement age. If you have worked for 42 years, then you are entitled to a pension only at 65 years old, and if you have not worked for 40 years, then at 67–69 years, depending on the length of service (PWC, 2021).

Table 9. Unemployment rate in G7, G20 and Central Asian countries in 2011-2021 (in %)

Country Name	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average
					G7 Countries						
Canada	7.29	7.07	6.91	6.91	7.00	6.34	5.83	5.66	9.46	7.46	6.99
France	9.40	9.92	10.29	10.35	10.05	9.41	9.02	8.41	8.01	7.86	9.27
Germany	5.38	5.23	4.98	4.62	4.12	3.75	3.38	3.14	3.86	3.57	4.20
Italy	10.65	12.15	12.68	11.90	11.69	11.21	10.61	9.95	9.16	9.50	10.95
Japan	4.36	4.04	3.59	3.39	3.13	2.82	2.47	2.35	2.80	2.80	3.18

United Kingdom	7.88	7.52	6.11	5.30	4.81	4.33	4.00	3.74	4.47	4.83	5.30
United States	8.07	7.37	6.17	5.28	4.87	4.36	3.90	3.67	8.05	5.35	5.71
	G20 Countries										**6.51**
Argentina	7.22	7.10	7.27	7.52	8.11	8.35	9.22	9.84	11.46	8.74	8.48
Australia	5.22	5.66	6.08	6.05	5.71	5.59	5.30	5.16	6.46	5.12	5.64
Brazil	7.25	7.07	6.76	8.56	11.74	12.93	12.46	12.05	13.93	13.34	10.61
China	4.58	4.60	4.63	4.65	4.56	4.47	4.31	4.56	5.00	4.55	4.59
India	8.10	8.04	7.98	7.91	7.84	7.73	7.65	6.51	10.19	7.71	7.97
Indonesia	4.47	4.34	4.05	4.51	4.30	3.78	4.39	3.59	4.25	3.83	4.15
Korea, Rep.	2.81	2.75	3.08	3.55	3.65	3.65	3.82	3.75	3.93	3.64	3.46
Mexico	4.89	4.91	4.81	4.31	3.86	3.42	3.27	3.48	4.45	4.09	4.15
Russian Federation	5.44	5.46	5.16	5.57	5.56	5.21	4.85	4.50	5.59	4.72	5.21
Saudi Arabia	5.52	5.60	5.72	5.60	5.60	5.89	6.03	5.64	7.45	6.69	5.97
South Africa	21.79	22.04	22.61	22.87	24.02	23.99	24.22	25.54	24.34	28.77	24.02
Turkiye	8.15	8.73	9.88	10.24	10.84	10.82	10.89	13.67	13.11	11.98	10.83
	Central Asia										**7.92**
Azerbaijan	5.19	4.97	4.91	4.96	5.00	4.96	4.94	4.85	7.16	5.95	5.29
Kazakhstan	5.29	5.20	5.06	4.93	4.96	4.90	4.85	4.80	4.89	5.16	5.00
Kyrgyz Republic	3.03	3.30	3.28	3.38	3.48	3.59	3.67	4.25	4.63	4.77	3.74
Mongolia	3.90	4.23	4.80	4.86	7.24	6.36	5.38	5.44	6.59	7.75	5.66
Tajikistan	9.57	8.90	8.23	7.55	6.90	6.95	7.00	7.04	7.49	7.74	7.74
Uzbekistan	4.87	4.86	5.09	5.15	5.16	5.83	5.86	5.86	5.29	6.02	5.40
											5.47

Source: World Bank Development Indicators, 2022

An analysis of the unemployment rate for the G20 countries shows negative trends in the economy of South Africa - here the unemployment rate for the analyzed period did not fall below 21.8%. This is because most of African countries are the poorest countries in the world. This means that the population does not have sufficient income to demand in the consumer market, which, in turn, does not contribute to the increase in production. It should be noted that unemployment among young women is especially high due to some national characteristics. A weak legal framework does not protect the citizens of African countries and repels potential investors. An important fact is the unstable political situation in the country.

Also, countries such as Argentina, Brazil, Turkiye and India did not fit into the ILO standards in some years. Unemployment Average 2012–2021 - 7.92%. High average unemployment rates were observed in South Africa (28.77%), Turkiye (13.11%). The lowest

average unemployment rates were noted in countries such as Korea (3.46%), Mexico and Indonesia (4.15%).

All Central Asian countries, except Tajikistan in the early 2 years, for the period under review were within the ILO standards for unemployment. In 2021, the lowest unemployment rate among this group of countries was noted in Kyrgyz Republic (4.77%), and the highest - in Mongolia (7.75%). On Average the highest rate was observed in Tajikistan (7.74) which was mostly affected by early years. During the period Tajikistan was the only country significantly reducing its unemployment rate while others showed negative trend. Total average of the group as well as each country in separate was within ILO standards and below the average rate in G7 and G20 groups.

The state of the economies of the countries of the world is influenced by a huge number of economic and political factors such as oil prices, technological breakthroughs and discoveries, and the aggravation of political conflicts, and much more. An analysis of macroeconomic indicators allows one to get a comprehensive idea of the processes taking place in the world's leading economies, to highlight positive and negative trends.

6. Discussion

While Tajikistan has very deep and rich history of existence as nation, it is relatively new independent state with only 32 years of being sovereign country and with even shorter stable economic history. After collapse of economy in 1991 Tajikistan went through 7 years of civil war and security problems before political situation stabilized in early 2000th and allowed economy to function, gain natural characteristics and integrate into world economy.

Despite these challenges Tajikistan could recover and maintain a strong rate of economic growth over the last decades. According to the World Bank, Tajikistan's GDP grew by an average of 7.2% per year between 2011 and 2021, making it one of the fastest-growing economies in the region. Within the same period Tajikistan has made significant progress in reducing poverty rate, decreasing it from 83.7% in year 2000 to 31.4% in 2010, and to 25.2% in 2021. This was achieved through a combination of steady economic growth, increased investment in social programs, and improvements in access to basic services such as healthcare and education.

In the last decade Tajikistan has undergone significant structural changes in its economy reorienting it from traditional agriculture to diversified economy by promoting other sectors such as construction, services and industry. All of this was achieved while agricultural sector was growing with rapid rates and changed focus from production of several commodities supplying export to diversified production meeting internal demands. This allowed to reduce food security risk and support small and medium sized farms.

One of the reasons of such growth was existence and maintenance of high level of human capital with proper education and skills. People of Tajikistan greatly contributed to the growth by accessing foreign labor markets to overcome unemployment problems, maintaining purchasing power and support internal business. In other words, remittances played significant role in development of economy of Tajikistan being major source of accumulation of investment capital. Even thought it was not enough to accumulate sufficient savings to finance major countrywide projects, final recipients of such capital inflow were households who invested such income to increase their standards of living and keep level of human capital at the same rate for future generations.

Rate of remittance steadily grew over the last decade from $1.87 bln to $2.92 bln while population outflow dropped from 28 thousand to 4 thousand in the environment of

growing population. This allows us to say that period of extensive use of human capital as migrant force is coming to an end and new generation finds their use in their home-country.

Along with efforts of population government of Tajikistan managed to support growth by choosing right area of development – investing in construction of efficient and sustainable hydropower stations and increasing production of cheap and clean energy. As a consequence, many energy-intensive industrial and mining plants were able to attract investments and operate competitively. We can observe it in the structure of exports where precious metals, ores and minerals gained significant value. In the long rung this may not be healthy for sustainable economic growth, but without development of fundamental sectors which could accumulated investment capital it is not possible to build and evolve other sectors of economy.

One of the major limiting factors of growth in Tajikistan is transportation lock resulting bottlenecks in the movement of goods and people. Geographic location presents several challenges for transportation and trade. The country's limited infrastructure, mountainous terrain, and extreme weather conditions all contribute to transportation difficulties. To overcome this difficulty Tajikistan needs to attract large amounts of investments which is hardly possible considering political, security stability, level of corruption and overall investment attractiveness of country, and region in general. There is a risk of falling into "vicious circle" unless major improvements are not done in the government structures, promotion of democracy and transparency and guarantying property rights and investment returns.

Despite the existence of many obstacles' comparison of major economic indicators with selected countries in the world showed that Tajikistan is performing well in terms of annual growth and showed steady performance with high potential to overcome global crisis's of 2008 and COVID 2019. In terms of unemployment and inflation rates among selected countries Tajikistan, and Central Asian countries showed better results then many developing countries from G20 group. In the last decade Tajikistan shifted its position from low-income country to lower middle-income and in HDI place of Tajikistan increased from 131 to 123. This could be considered as tangible improvements in the economic development of Tajikistan for such relatively short period of existence of independent economy.

7. Conclusion

Summarizing above discussion we can conclude that economy of Tajikistan was developing well with rates appropriate and above for developing countries utilizing available resources naturally and sustainably. Human capital and natural resources along with well-planned governance in the direction of investments played vital part in shaping economic profile of the country. However, this is not sufficient to reach favorable quality of life in short or middle terms, minding the initial condition when economy emerged. There is a need for a big push to achieve economic breakthrough which will involve significant investments in core infrastructure and require combination of short-term and long-term strategies that will address structural issues. Otherwise, there is a risk to fall in the "vicious circle of poverty".

Tajikistan has a great economic potential and ready to utilize available opportunities. There are challenges which cannot, or hardly be influenced, such as geographical location or geopolitical situation. However, without improvement of political situation, promotion democracy and security, reducing bureaucracy, simplifying regulations and guarantying supremacy of law it will not be possible to increase investment attractiveness and develop healthy business environment.

8. References

Acemoglu, D., Robinson, J.A.: *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, Crown Publishers, 2012. ISBN 978-0307719225

Bamberger M.: *Dealing with Complexity in Development Evaluation: A Practical Approach*, California: Sage, 2016. ISBN 978-1483344249, p.46-50

Barro, R.J., Sala-i-Martin, X.: *Economic Growth,* McGraw-Hill, 1995.

Bénassy-Quéré, A.: *Economic policy: theory and practice,* Oxford: Oxford University Press, 2010. ISBN 978-0-19-532273-6, p.85

Brux, J M.: *Economic issues and policy,* Australia: Cengage Learning, 2016. ISBN 9781285448770, p.16

Haskel, J., Westlake, S.: *Capitalism without capital: The rise of the intangible economy,* Princeton University Press, 2017. ISBN 9780691175034, p.184

Holling, C.: *Understanding the Complexity of Economic, Ecological, and Social Systems,* Ecosystems 4(5), 2001, 390–405. Available at: https://doi.org/10.1007/s10021-001-0101-5 [Accessed 25 February 2023]

Inglehart, R.., Welzel, C.: *Modernization, cultural change, and democracy: The human development sequence,* Cambridge University Press, 2005. ISBN 9780521846950

Myrdal, G.: *Asian Drama: An Inquiry into the Poverty of Nations,* 1968. ISBN 9780527028329, p.70-75

Nurkse, R.: *Problems of Capital Formation in Underdevelopment Countries,* Oxford, 1955. ISBN 9780195603774

Rostow, W.: *The Stages of Economic Growth. A Non-communist Manifesto,* Cambridge, 1960; p.4-11

Rostow W.: *The Take-off into Self-sustained Growth // The Economics of Underdevelopment. 2nd Ed,* Oxford University Press, Vol. 66, No. 261, pp. 25-48, 1956.

Schumpeter. J.A., *Theory of Economic Development,* Social Science Classics Series: New edition, 1980. ISBN 978-0878556984, p. 31-37

Vaggi, G., Groenewegen, P.: *A concise history of economic thought: From mercantilism to monetarism.* Palgrave Macmillan, 2003, p.90

Voloshin D.: *Development and growth in the concept of a multi-level economy.* Economist. 2008. - No. 2, p.5

Internet sources:

https://www.imf.org/en/About/FAQ/imf-faq#Q5 - International Monetary Fund. Economic Development. 2021. [Accessed 15 March 2023]

https://www.worldbank.org/en/topic/economic-development - World Bank Group. Economic Development. 2021. [Accessed 15 March 2023]

https://www.worldbank.org/en/publication/wdr2019 World Bank. World Development Report 2019: The Changing Nature of Work. Washington, DC: World Bank. 2019. [Accessed 16 March 2023]

https://databank.worldbank.org/source/world-development-indicators - The World Bank Group Data. World Bank Data. World Development Indicators. [Accessed 29 March 2023]

https://www.fao.org/faostat/en/#home – Food and Agriculture Organization of the United Nations. [Accessed 02 March 2023]

https://www.ilo.org/global/statistics-and-databases/publications/WCMS_675155/lang--en/index.htm - International Labour Organization. Quick guide on interpreting the unemployment rate, 2019. [Accessed 26 February 2023]

www.stat.tj - Statistic Agency of the Republic of Tajikistan, 2022 [Accessed 16 March 2023]

https://customs.tj/ - Customs Service under the Government of the Republic of Tajikistan, 2022, [Accessed 08 March 2023]

https://www.nbt.tj/en/ - Statistical Database of National Bank of Tajikistan, 2022, [Accessed 08 March 2023]

https://www.ukessays.com/essays/economics/factors-influencing-the-growth-of-a-nation.php?vref=1   - UKEssays. *Factors Influencing the Growth of a Nation.* [online]. November 2018. [Accessed 20 March 2023]

http://www.nust.na/sites/default/files/documents/Comprehensive%20notes%20for%20DEC712S_0.pdf - Comprehensive notes for DEC712S [online], 2017. [Accessed 27 February 2023].

https://www.weforum.org/reports/how-to-end-a-decade-of-lost-productivity-growth?DAG=3&gclid=CjwKCAjw5pShBhB_EiwAvmnNV9fyMsm8ypPU3bJBr4aYiSYR4mnpoLvGYE8WlwSyJFf8oZmk0_ZxwhoCd9AQAvD_BwE   -   The   global Competitiveness Report: World Economic Forum: Geneva - 2000 – 2019. [Accessed 28 March 2023]

https://taxsummaries.pwc.com/italy   - Worldwide Tax Summaries Online, 2021 [Accessed 26 March 2023]

List of Figures

List of Tables