

## **Input-Output Approach as an Instrument for Estimation the Impact of the Extractive Industry Sector on the Economy of Tajikistan**

Topic: Power generation, extractive industries and regional integration

Author: Oliya Maxudova

Oliya Maxudova<sup>1</sup>

<sup>1</sup> PhD student from School of Asia Pacific Studies, Ritsumeikan Asia Pacific University, 1-1 Jumonjibaru, Beppu, Oita 874-8577 Japan<sup>1-1</sup>

Senior specialist of the Head Tax Policy and State Gathering Department of the Ministry of Finance of the Republic of Tajikistan

e-mail: oliyma15@apu.ac.jp

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The Republic of Tajikistan, a part of the former Soviet Union, is a mountainous landlocked country in Central Asia. Economic advantages of Tajikistan include, among others, abundant water resources, favorable climate conditions and cheap labor. Cotton growing, viticulture, horticulture and aromatic plants growing are the major sources of livelihood. Industrial products in the Republic of Tajikistan include metallurgy, mechanical engineering, and production of durable consumer goods, light industry, and food industry.

Tajikistan is extremely rich in natural resources but there are major of challenges in converting these resources into wealth. Natural resources of Tajikistan have been explored and partially excavated for industrial purposes. It is estimated that more than 600 deposits and 800 potential sites for excavation are found in Tajikistan. These minerals are iron, zinc, antimony, uranium, coal, oil, natural gas, mercury, gold, silver, precious/semiprecious stones, building materials, hydropower potential etc.; Although mining sector has enormous potential for Tajikistan, its impact is still limited. It represents only 3.07% of gross domestic product (GDP), 4.2% of national budget, 5.18% of employments and 23.25% of exports (EITI-Tajikistan, 2015).

Tajikistan economy is still in a transitional stage. Government is struggling with various challenges that have occurred after the independence but is not yet ready to deal with current global challenges. The government has failed in converting the country's potential into real national wealth.

The main challenge facing Tajikistan is to find new sources of revenue for national budget from which government will be able to tap additional tax revenue. The extractive industry may provide a good opportunity for this new source of revenue.

If Tajikistan wishes to use extractive industry as a main source of revenue, it is necessary to establish strong governance underpinned by a transparent and accountable management system of natural resources. Lack of good governance in the extractive industry may lead to corruption with negative impact on the economy. If Tajikistan would be able to establish good governance, it would help the economy to grow in a more sustainable manner.

At the present time Tajikistan does not have Input-Output Tables which is one of the most important macroeconomic policy tool. This research is going to develop Input-Output Tables which would be applied to macro-economic analysis of Tajikistan with a significantly contribution to the national economy. Therefore, the overall objective of the research is to ensure extractive industry to be developed and managed in a transparent and accountable manner so that all segments of the society can benefit from prospective expansion of the extractive industry. This would require: (1) grasping the potential magnitude of the impact that the extractive industry of Tajikistan can bring (through Input-Output Analysis) and also (2) instituting stronger governance for the extractive

industry sector.

In order to achieve the above objective, the following research questions have been developed to guide the entire process of the research:

- (1) What impact will the growth of the extractive industry bring to the economy of Tajikistan?
- (2) What government policies should be adopted in order to ensure the extractive industry sector to be managed in a transparent and accountable manner so that extractive industry can contribute to the sustainable development of the Tajikistan's economy?

This research would be primarily carried out with use of quantitative analysis, which would be supplemented later by the qualitative analysis. Quantitative analysis is primarily designed for assessing the impact of extractive industry on the economic growth with use of an Input-Output table model. The quantitative method would be supplemented by the qualitative analysis, which would gather expert's views on the effective ways of managing the extractive industry.

Keywords: Tajikistan, extractive industry, economic growth, impact on economy, Input-Output Tables.