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Effects of Labor Migration and Remittances in Tajikistan: Economywide and Food Security Perspectives

Dr. Parviz Khakimov, IFPRI Research Collaborator in Dushanbe, Tajikistan

Coauthors: Dr. Xinshen Diao, IFPRI, Washington, DC and Dr. Yumei Zhang, IFPRI, Beiging, China

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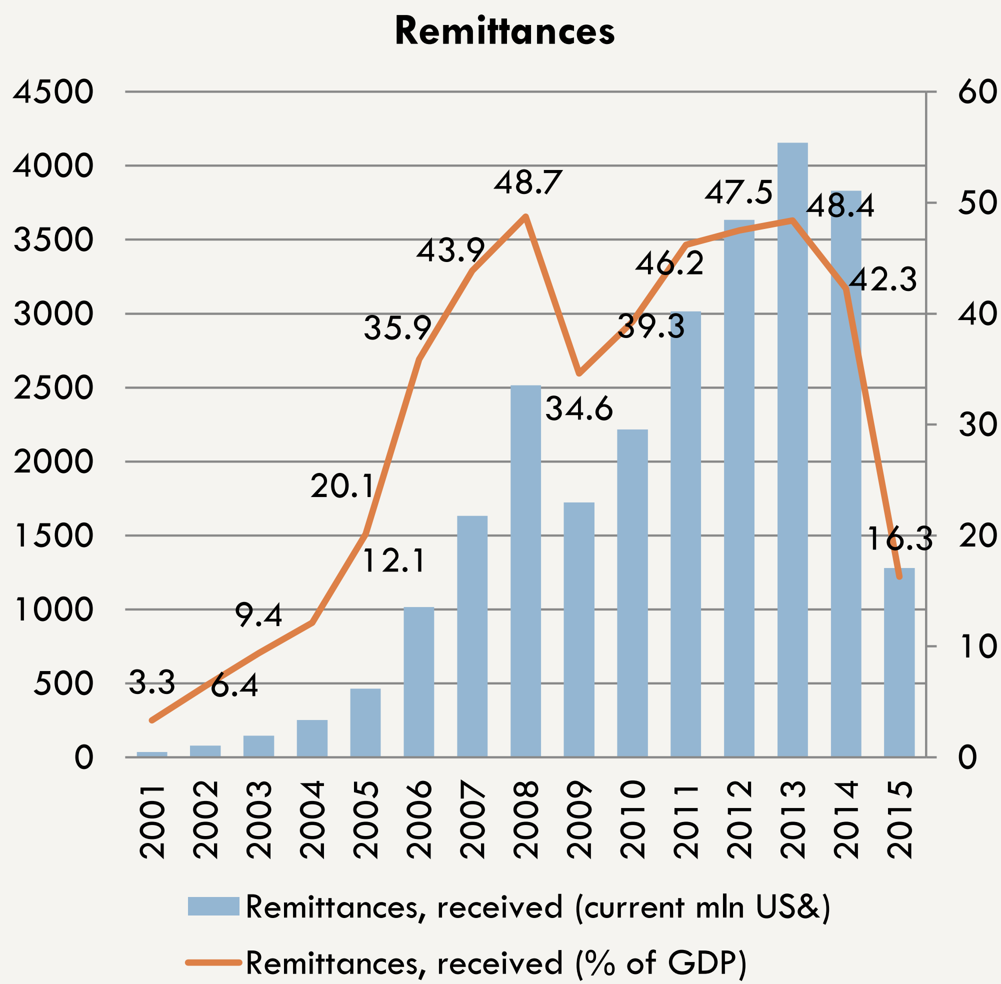
Labor migration and remittances are important for Tajik economy



Source: TajStat & World Bank, WDI, 2016

- Equivalent to 43% of GDP (2006-2014
- <u>Started to decline in 2014</u>:
  - From 2013 to 2016 dropped by more than 2 times
  - 16.3% of GDP in 2015
- <u>Reasons to decline</u>:
  - Declining number of Tajik labor migrants due to economic slowdown in Russia and changes in policy;
  - Declining wages in terms of US$;
  - Depreciation of Ruble

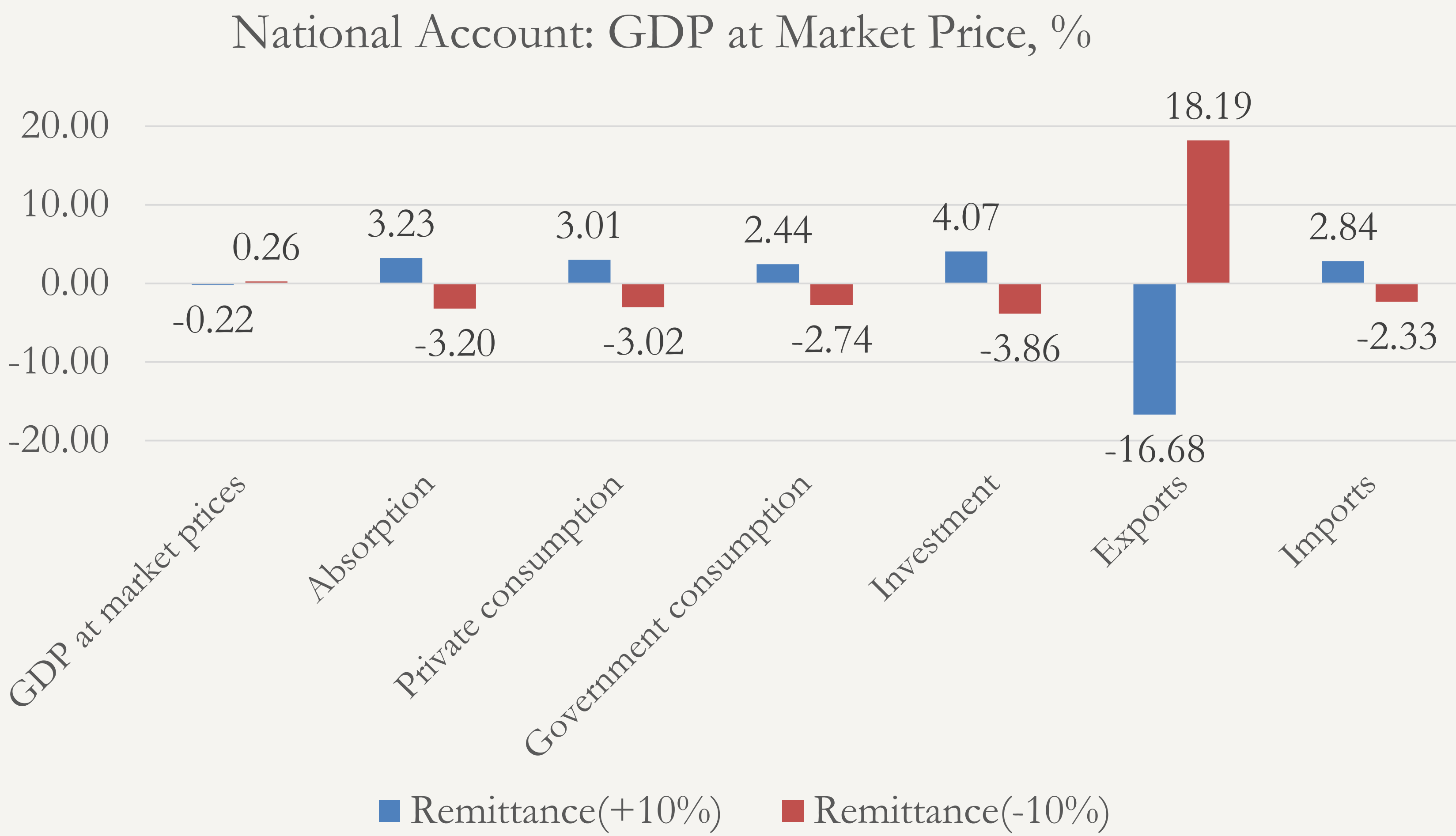
Potential impact channels of remittances

- Decline the share of manufacturing in GDP & share of manufacturing in employment **(Tregenna, 2011);**
- Cause of the appearances of Dutch Diseases **(J.A. Da Silva, 2013; Acosta et al., 2009; Makhlouf & Mughal, 2011; Edsel, 2010)**;
- Price fall for internationally traded commodities, consequently domestic & export oriented sector face a fall in productivity (**Acosta et al., 2009**);
- Reduce overall poverty **(Adams & Page, 2004; Acosta et al., 2008);**
- An appreciation of domestic currency against the foreign exchange **(IMF, 2006; Mundaca 2005, Acosta et al. 2009; Amuedo-Dorantes & Pozo 2004; Acosta, Lartey, & Mandelman 2007 & 2008);**
- Negative effects on export oriented sectors **(Edsel, 2010; IMF 2006);**
- Increase in the demand for both tradable and non-tradable commodities **(Edsel, 2010).**
- Men and women from remittance-receiving households in Tajikistan are less likely to participate in the labour market" **(Justino & Shemyakina, 2010).**
- Improve household spending on food, thus ensure food and nutrition securities (especially, for poor households), etc.

Objective and methodology

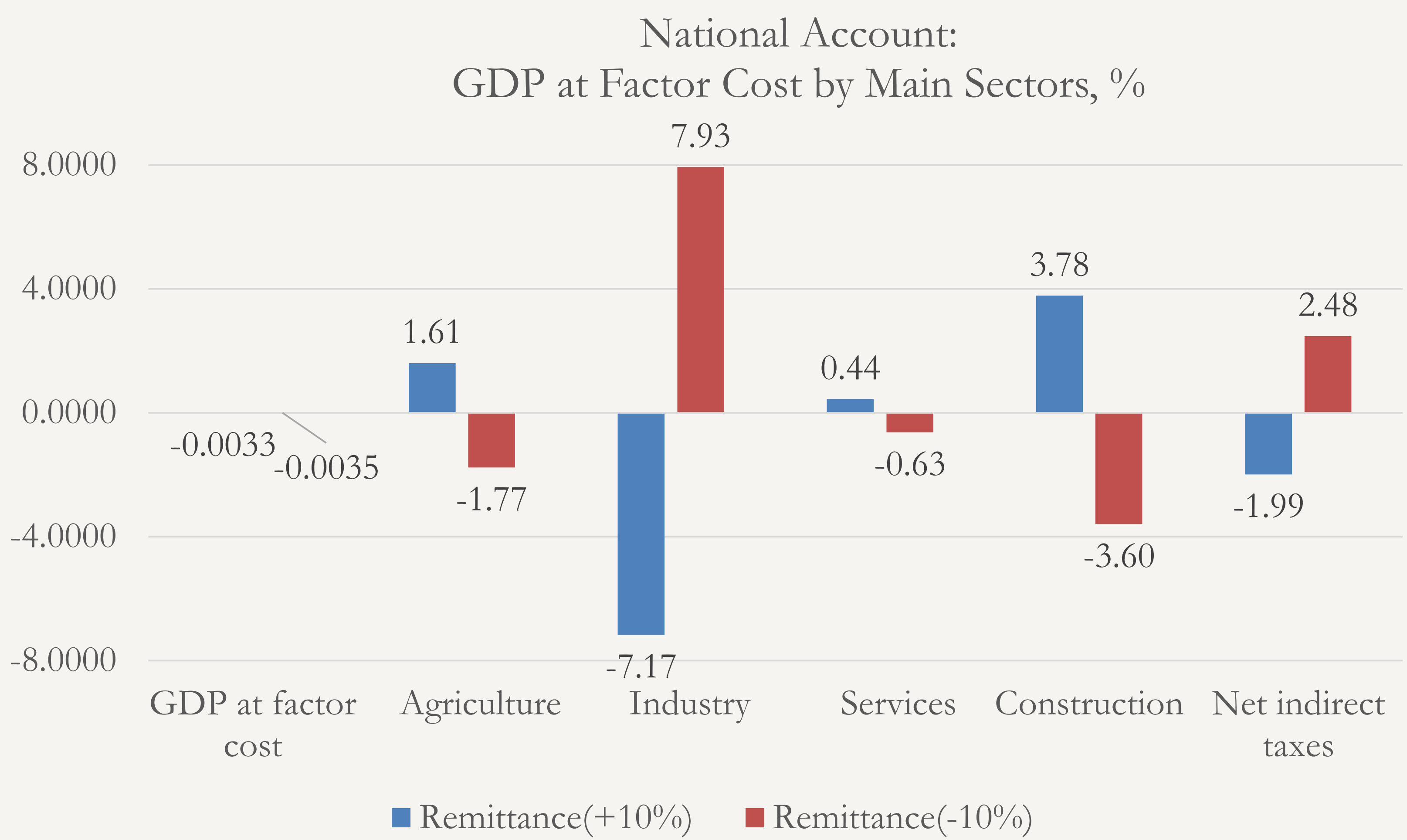
- **Objective**
  - To assess the economy wide effects of changes in labor migration and remittances on macro and micro levels.
- **Methodology**
  - Single-country CGE, comparative static model;
  - Build on the based of 2011 Input-Output Table, BoP & 2011 Tajik Household Panel Survey Data;
  - Trade and tariff are separated by region (RUSS, OEAEU and ROW);
  - **25 sectors:** 3 agricultural, 10 industrial sectors, construction, and 11 service sectors;
  - **10 household groups:** rural/urban & income quintiles;
  - **Labor type by education level (6):** primary or none education, basic education, secondary general, secondary special, secondary technical, higher education;
  - **Capital (1).**

Main results

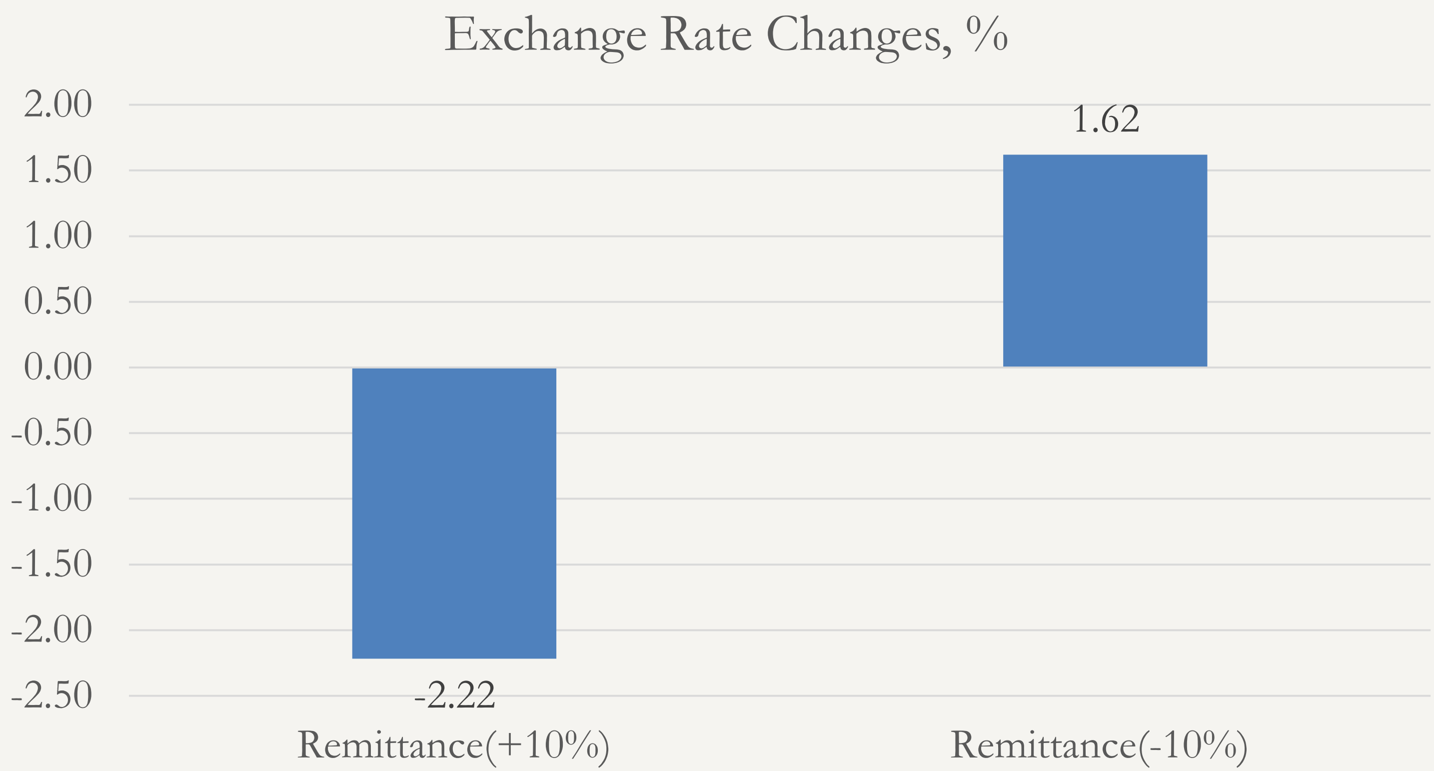


Note: Absorption=Private consumption + Investment + Stock + Government consumption

Main results

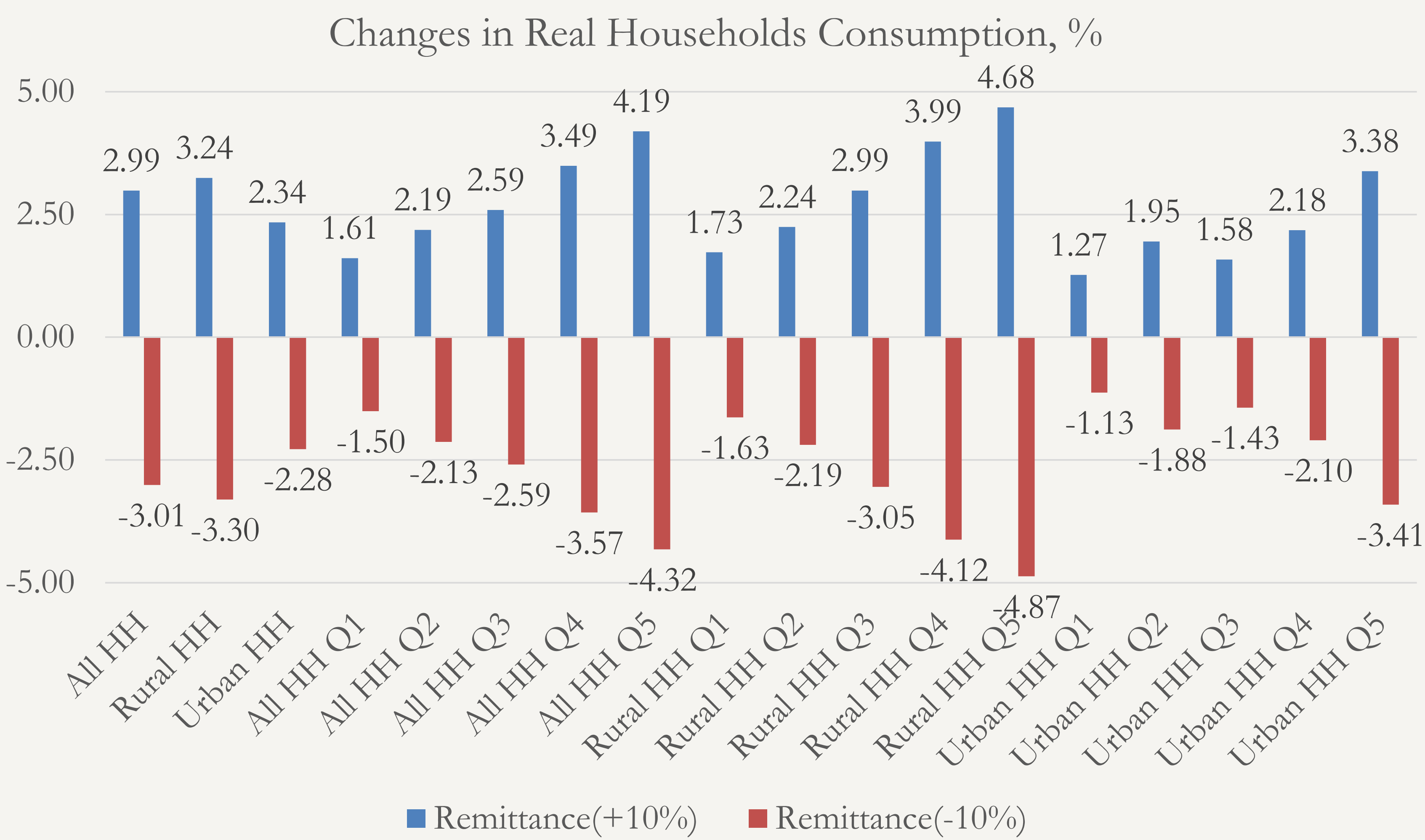


Main results

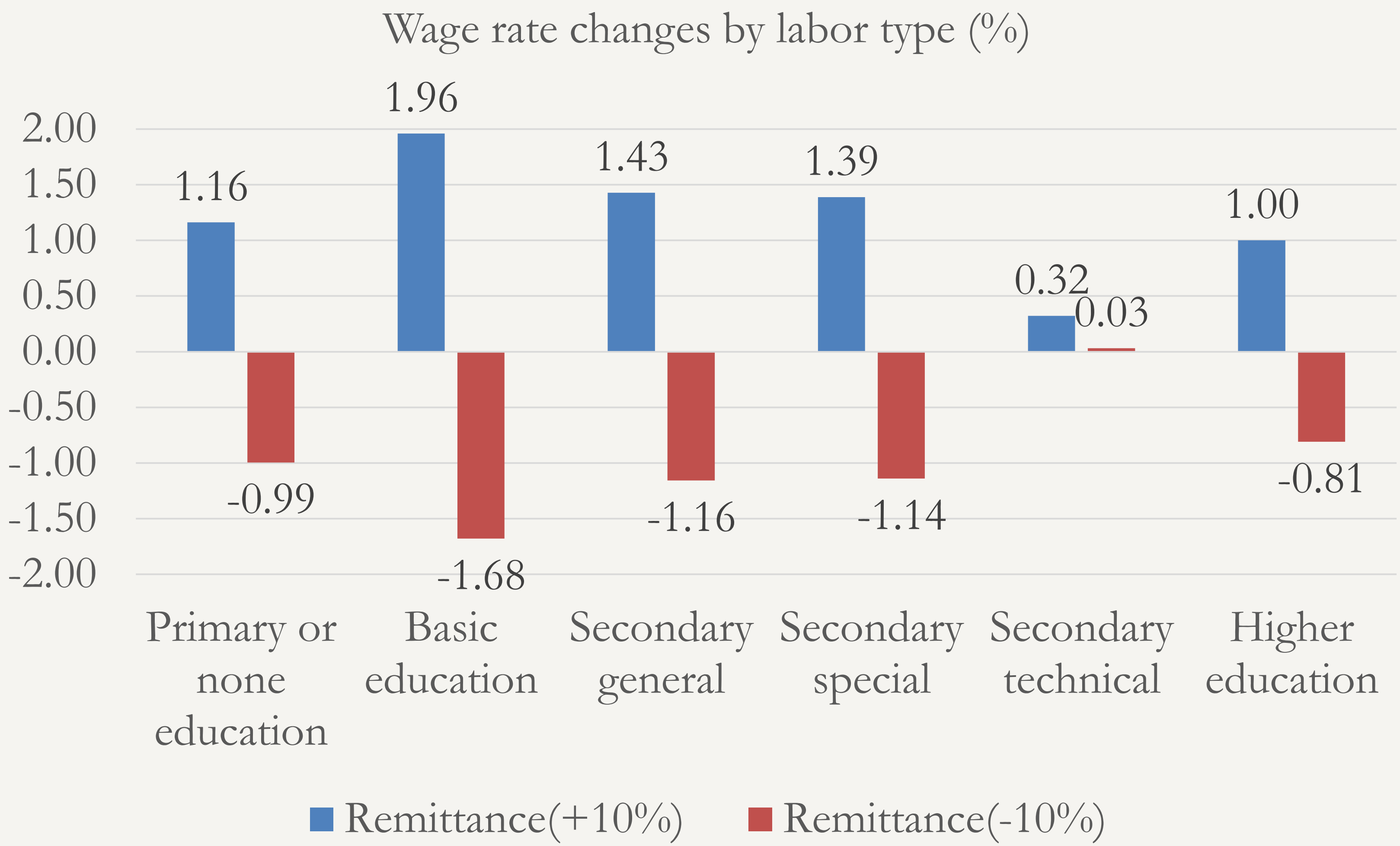


Note: The positive sign indicate a depreciation of TJS & other way around

Main results



Main results



Main results

Export Change by Sectors & Regions

	Remittances (+10%)			Remittances (-10%)		
	RUSS	OEAEU	ROW	RUSS	OEAEU	ROW
All sectors	-24.08	-11.71	-17.21	34.19	14.63	1.13
Agriculture	-7.72	-7.72	-8.34	5.63	5.63	1.05
Industry	-25.98	-12.27	-25.97	37.52	15.88	1.20
Mining	-2.69	-8.06	-0.45	2.01	10.70	1.01
Food	-4.63	-4.63	-3.37	2.34	2.34	1.04
Textile	-30.56	-30.56	-35.06	45.68	45.68	1.36
Machinery	-36.32	-36.32	-37.83	47.22	47.22	1.44
Other Manufacture	-28.54	-28.54	-32.00	24.17	24.17	1.18

Main results

Import Change by Sectors & Regions

	Remittances (+10%)			Remittances (-10%)		
	RUSS	OEAEU	ROW	RUSS	OEAEU	ROW
All sectors	3.60	4.00	3.61	-3.24	-3.43	1.00
Agriculture	1.82	9.30	10.47	-1.20	-6.97	0.94
Industry	3.60	3.89	3.17	-3.24	-3.36	1.00
Mining	-2.51	2.18	-0.50	2.29	-2.20	1.00
Food	5.26	5.26	7.68	-4.46	-4.46	0.98
Textile	8.56	8.56	9.82	-5.01	-5.01	0.96
Machinery	4.37	4.37	13.86	-4.12	-4.12	1.05
Other Manufacture	1.56	1.56	3.56	-0.94	-0.94	1.01

5. CONCLUSIONS

An analysis reveal that remittances has ambitious effects on Tajik economy and confirmed the findings of other studies.

LM & remittances is the reality that faces Tajik economy since 2005. Thus, as countervailing measure, the reduction of payroll, direct & indirect taxes ensure competitiveness of producers in domestic & external markets in case of further increase of remittances.

The National Bank of Tajikistan (NBT) can take a measures to avoid domestic currency appreciation due to increase of remittances that has harmful effects on manufacturing and export oriented sectors.

Removal of trade and non-trade barriers can boost further regional trade and minimize the negative effects of remittances.

How will be affected the Tajik economy due to reduction of taxes, removal of trade & non-trade barriers, changes in REER are the subject of further analysis.

THANK YOU!

Email: parviz_khakimov@yahoo.com