The estimated smooth-transition local projection (STLP) model is:

\[ g_{t+h} = F(s_{t+h}) \left[ \alpha_0 + \beta_0 R_t + (\gamma/\delta) \sum_{i=1}^{\delta} s_{t-i}^{(i)} + (\gamma/\delta) \sum_{i=1}^{1} s_{t-i}^{(i)} + \varepsilon_{t+h} \right] \]

where
- The coefficient \( \beta_0 \) measures the impact of a change in policy at \( t \) on the dependent variable \( h \) periods ahead.
- Regime I depicts high remittances regime II depicts low remittances.

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## Conclusion

- Evidence that high remittances inflows reduce the effectiveness of monetary policy.
- Facet of dilemma of open-economy macroeconomic policy.
- Available options to overcome the dilemma:
  1. Designing policies to channel remittance inflows into long-term growth enhancing investments.
  2. Designing monetary and fiscal stability policies.