



Submitted by:		
Name: Hamid Rashid		Date: 15 October 2012
Division: DPAD/OD		
<p>Visit: Indicate name and venue of meeting(s), project(s), etc.</p> <ul style="list-style-type: none"> - ILO /Institute of International Labour Studies (IILS) Workshop on Growth with Equity, Nairobi, Kenya on 28 Sept 2012 - Consultations with Economic Development Department (EDD) and UNDP-South Africa on the implementation plan of the Research and Policy Analysis Programme (RPAP) – 29 Sept-3 Oct 2012 - Technical support to the mission of the High Level Committee of the Royal Government of Bhutan to establish a stabilization fund, visiting Botswana on 4-7 October and Chile 8-11 October 2012 		
Mission Dates	Travel itinerary (<i>Country</i>)	
Nairobi, Kenya	From: 27/09/2012	To: 29/09/2012
Johannesburg, South Africa	From: 29/09/2012	To: 03/10/2012
Gaborone, Botswana	From: 04/10/2012	To: 06/10/2012
Santiago, Chile	From: 07/10/2012	To: 11/10/2012
<p>Purpose of mission:</p> <p>I participated as a resource person at the ILO-IILS Workshop on Growth with Equity in Nairobi, Kenya. DPAD and IILS are collaborating on two country studies (Bangladesh and Kenya), which are due for publication during the first quarter of 2013. The inception workshop helped us share the key objectives and preliminary outline of the Kenya study with government officials, labour and private sector representatives. I am writing the chapter on macroeconomic policies and national development strategies of Kenya and their impact on employment, productivity and income growth. The workshop deliberations and the proposed study received strong endorsement from all stakeholders. It was agreed that the final report will be disseminated at a much higher level policy dialogue in Nairobi during the first quarter of 2013. Government of Kenya, DESA/DPAD and ILO/IILS will jointly organize the high-level policy dialogue.</p> <p>As the mission to Mauritius was cancelled, I spent 1-3 October in Johannesburg and Pretoria, before proceeding to Gaborone, Botswana, to finalize the implementation schedules of our Research and Policy Analysis Programme (RPAP). I held series of meetings with the EDD officials, the South African research team and the UNDP team (Resident Representative and the Economic Adviser). As the finalization of the Letter of Agreement (LoA) between EDD and DPAD took longer than expected, it was decided that the formal launch of the studies will take place in late January/early February 2013. Meanwhile, EDD requested us (UNDP/DESA) to urgently arrange an on-site training programme on policy analysis and the use of statistical/quantitative tools. EDD entry-level officials typically lack capacities for quantitative analysis of policies. The South African research team agreed to develop a draft curriculum and I suggested that DESA would consider sending one of its Economic Affairs Officers to train EDD officials for a period of 2-3 weeks. The expenses in this regard will be paid for from the RPAP budget.</p> <p>I accompanied the Bhutanese High Level Committee (HLC) to Botswana and Chile. The HLC was set up by the Royal Government of Bhutan at the recommendation of DESA/DPAD to explore the feasibility of setting up a stabilization fund in Bhutan. The Committee comprised of the Governor of the Royal Monetary Authority (who could not join the Chile part of the mission as he had to leave early to attend the IMF-WB Annual Meeting in Tokyo), Permanent Secretaries of the Ministry of Finance, Ministry of Economic Affairs and the Gross National Happiness Commission (National Planning Commission), CEO of Druk Holding Company (the state-owned</p>		

enterprise) and two technical staff from GNHC. HLC was primarily interested in understanding:

- a. Explicit and implicit objectives of the funds in Botswana and Chile and their relationship to the management of international reserves;
- b. The initial conditions, including the political economy, when Botswana and Chile established their stabilization funds;
- c. Legal framework and enabling legislations for setting up of the fund;
- d. Mechanisms and benchmarks for deposits to, and withdrawal from the funds)
- e. Institutional arrangements of the fund and the involvement of both in-house and external fund managers;

In Botswana, the key meetings were with Dr. Oduetse Motshidisi, Deputy Governor, Bank of Botswana (and his team) and Mr. Cornelius Dekop, Permanent Secretary, Ministry of Finance and Development Planning. The mission also held separate meetings with Prof. Happy Siphambe, Prof. Keith Jefferies, officials from the Ministry of Trade and the Ministry of Mining as well as with representatives of the private sector and UNDP. The meetings were extremely useful in informing the HLC members as to how the existence of the stabilization fund helped Botswana achieve macroeconomic stability and growth and reduce dependence on external borrowing.

HLC members held extensive meetings with Dr. Manuel Marfan, Deputy Governor, Central Bank of Chile (and his team), Dr. Rodrigo Cerda, Chief Economist, Ministry of Finance (and his team), Dr. Ricardo Rodriguez, Ministry of Mining, Prof. Luis Felipe Lagos (former Minister of Finance), experts from the Ministry of Economy as well as from two leading think-tanks (Libertad Desarrollo and CIEPLAN). The HLC members learned that Chile established its first stabilization fund (Copper Fund) when the copper price was very low and the country was in an economic crisis. It also learned that the stabilization fund allowed Chile to reduce discretionary spending, instill fiscal discipline, promote public sector savings when private savings dwindled, reduce external borrowing and engage in counter-cyclical spending during economic downturns. HLC members also learned that although it is not a stated objective, the stabilization fund helped Chile sterilize inflows, prevent real exchange rate appreciation and retain its export competitiveness.

I facilitated the meetings between HLC members and their counterparts in Botswana and Chile, explaining the objectives and relevant concepts and helping them with policy questions and ensuring that the discussions remained focused.

In addition to these meetings, I also held a separate meeting with Mr. Enrique O'Farrill-Julien, the Head of the newly created Chilean International Cooperation Agency (AGCI) at the Ministry of Foreign Affairs. AGCI has shown keen interest in supporting DESA's capacity development activities, particularly in issues related to natural resource management and the establishment of stabilization fund. It is likely that AGCI will fund and deploy an expert to help Bhutan set up a fund. We agreed to follow up on this on a priority basis.

Brief Summary of work accomplished:

- My participation in the workshop in Kenya enhanced the visibility and credibility of DPAD's capacity development work, especially in the areas of implementing employment-focused national development strategies.
- The meetings in Johannesburg helped reinforce our commitment to supporting and implementing RPAP and strengthening the capacities of EDD for policy analysis.
- As I facilitated meetings between the Bhutanese HLC and relevant authorities/experts in Botswana and Chile, I managed to convince the HLC members of the critical importance of establishing a stabilization fund. HLC will recommend, as per DPAD advice, the establishment of a stabilization fund in Bhutan which will serve a range of objectives, including stabilizing and smoothing fiscal expenditures, reducing credit bubbles and current account imbalances, increasing public sector savings for counter-cyclical spending during economic downturns and minimizing upward pressures on real exchange rates and maintaining export competitiveness.
- My meetings with AGCI opened up the possibilities of collaboration and potential technical and financial support from Chile for our capacity development work.

Recommendation(s)/Action to be taken:

Distribution

- Respond to request from EDD, Government of South Africa for organizing a training programme on quantitative tools for policy analysis.
- Provide technical inputs to the draft report of the HLC to the Prime Minister of Bhutan. HLC members will share the draft report with us shortly.
- Follow up with AGCI on the issue of specific support to Bhutan and also on a general framework of collaboration between DPAD and AGCI.

DESA:
Travel database
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Travel Report Summaries shall be prepared within three days after completion of mission.