

Controlling and Budgeting at Central Banks

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Closing Remarks by Mr. Jerrald Hasselmeyer, Executive Director of the Bank van de Nederlandse Antillen at the Course on "Controlling and Budgeting at Central Banks" organized by the CEMLA and Deutsche Bundesbank and hosted by the "Bank van de Nederlandse Antillen", Curacao, August 12, 2010

Ladies and gentlemen,

It is a privilege for me to stand here this afternoon and congratulate all of you for what I would call a very successful course on a topic of interest to all of us as central bankers: Controlling and Budgeting at Central Banks. I believe you will all agree with me that the topics presented during this course will contribute to fortifying our efforts to optimize the tasks entrusted to us as central bankers.

It is certainly not my intention this afternoon to give you my views on how you should proceed with the information received during these past days nor do I intend to repeat what Mr. Norbert Rothe of the Deutsche Bundesbank has been sharing with you. I am quite sure that Mr. Rothe has done a tremendous job and has succeeded in making us aware of the importance of a proper system of control and budgeting within our respective organizations. Nevertheless, allow me to take a few minutes of your valuable time to elaborate slightly on a couple of very important issues brought forward during this course, recommended actions which, if taken, will undoubtedly enhance the performance of our central bank.

Our world is moving into an era in which government finance is taking center stage. The recent financial crisis has put enormous strains on government finances and budgets worldwide. The uncertainties brought about by the crisis in the financial markets have made us conscious that actions are needed in the short term to better prepare ourselves in the event of another financial crisis. These uncertainties show us how vulnerable we are and that we can no longer afford not to have proper systems in place to mitigate the consequences of possible failures in the financial markets. A nationwide, well-functioning system of control and budgeting becomes indispensable.

Please allow me to go back a couple of years in time. Recently, the world economy has gone through its deepest recession in over 70 years. Brought on by a crisis in the financial sector in developed countries, an estimated 34 million people have lost their jobs. Through a coordinated effort by the G-20, involving extraordinary fiscal and monetary policy interventions, a depression has been prevented.

After declining by 0.8 percent in 2009, the world economy is expected to grow by 3.9 percent this year, driven largely by the momentum of China's industrial expansion, urbanization, and modernization.

Yet many experts caution that these positive trends may be short-lived and that the world economy may yet experience a second recessionary wave. Employment creation in developed countries remains weak. Large fiscal deficits and emerging asset price bubbles in Asia signal that the recovery is still fragile. As with the boom period prior to 2008, the global recession will result in sweeping changes to the world economic landscape. Major industries from automobiles to telecommunications and energy are undergoing restructuring and rapid evolution.

Domestically, we have seen that the Netherlands Antilles was not exempted from the global economic downturn and recorded an estimated real economic contraction of 0.2% in 2009.

The global recession had a greater impact on the economy of the Netherlands Antilles than initially anticipated. Nevertheless, a recovery is projected for 2010 with an estimated real GDP growth of 0.7%, in line with the global economic recovery.

The soon-to-be abolished Netherlands Antilles comprising five islands leaves behind a sound economic legacy, providing a healthy starting position for the new entities. On October 10, 2010, Curacao and St. Maarten will gain the status of autonomous countries in the Kingdom of the Netherlands, and Bonaire, St. Eustatius, and Saba will be integrated into the Netherlands. The growth of our economy compares favorably with that of the region, inflation is low, and our foreign exchange reserves and import coverage have reached an all-time high. The debt relief provided by the Dutch government contributed to balanced budgets and a declining public debt. This sound economic foundation provides prospects for a swift recovery of our island economies towards sustainable growth and higher welfare for our populations.

These developments on a nationwide scale have brought challenges for everybody, central banks included. I believe you will agree with me that every organization needs to have a system in place to cope with these challenges.

During these last three days, the Deutsche Bundesbank has shared its experiences with us on how to deal with these challenges. We were told about the importance of the controlling and budgeting functions within a central bank. Even though our organization is rather small in comparison with the Deutsche Bundesbank and probably most of yours are as well, the fundamentals of proper controlling and budgeting apply to all of us. Namely, we all have (strategic) goals; we all plan how to achieve these goals; we all establish benchmarks and standards to enable us to compare actual performance with set goals and, if necessary, take the necessary corrective actions to assure that the goals can be reached.

We have learned from Mr. Rothe that the controlling and budgeting functions are not static functions, but that they evolve over time depending on, among other things, the size of the central bank, the cost accounting philosophy followed, and the level of risk management within the institution.

As indicated by Mr. Rothe, the success of the controlling and budgeting function depends heavily on the involvement and support of management and key personnel of a particular institution. Periodic involvement in the controlling and budgeting process, be it direct or indirect, by everyone else within the organization will further enhance this process.

I strongly believe that we must build a new common purpose so that we can use all of our talents, skills, and resources to tackle our economic and social challenges. So my message to all of you is that, whether you are in Aruba or the Philippines, we must all be prepared to do things differently. We must all go back home with the information that we have received from this course and shape our policies and programmes for the years ahead to improve our respective organizations and contribute to a further development of our countries' economies.

As for our central bank, this is surely the central theme in our vision for the coming years – we should succeed in achieving our goals and plans.

I am sure that the information obtained during these three days and the experiences shared with us will contribute in achieving this.

Let me take this opportunity to commend CEMLA, the Deutsche Bundesbank, and our staff for the detailed work that went into organizing this course.

Mr. Rothe, a special thanks to you for sharing your experiences at the Deutsche Bundesbank with us. To CEMLA, thanks for having entrusted us with the organization and hosting of this seminar.

To all of you participants, thanks for having taken time to visit our island and attend this wonderful course. I surely hope that you have had the opportunity to explore our country. If this was not the case, please feel free to visit us again. For now, I wish you a safe trip home.

Last, but not least, Eleanore “Lonneke” Reynaert and Ruthmilda Vos, thanks for all the work you did to make this course successful.

I sincerely hope that we will be given the opportunity to host another course in the future.