The Ministry of Economy of the Province of Río Negro has been the first user institution of DMFAS at the sub-national level. The first installation of the system was carried out in 2000 (DMFAS 5.2).

In January 2017, a new technical assistance project was concluded on "Strengthening the Management Capacity of the Public Debt of the Province of Río Negro". All the activities originally planned were successfully completed and in February 2019, an amendment was signed extending UNCTAD's cooperation with the Province.

The project’s objectives were to upgrade the Province with a web-based debt management system and to update human resources in its debt management capabilities to keep up with the registration, validation, reporting and debt analysis best practices.

(Continued on page 2)

Bilateral country exchange on debt statistics

In March 2019, Ethiopian debt officials exchanged both conceptual and practical knowledge on producing and reporting debt statistics with debt officials from Uganda and debt experts from UNCTAD during a workshop/study tour to Kampala.

During the course of a week, the latest concepts and guidelines for the compilation and dissemination of external and public sector debt statistics were reviewed and discussed by participants. The strengthened knowledge will serve as useful input in reviewing each country’s own debt statistical bulletins. A follow-up Ethiopian national workshop on application of the recommendations of the workshop will take place in Addis Ababa during the year.

UNCTAD’s training in debt statistics promotes the reliability, quality and timeliness of statistics in line with the methodological standards set up by the International Task Force on Finance Statistics (TFFS) including in the 2013 Public Sector Debt Statistics: Guide for compilers and users.

In particular, UNCTAD’s training helps countries to understand these guidelines, to better define the content, presentation and frequency of their debt statistical data, and to assist debt officers in producing and selecting appropriate statistical tables (within DMFAS) and reporting periods for their own debt statistical bulletins.
In the final stage of the project two workshops have been implemented. The first was on ‘Validation of Debt Data’ which has allowed the Province to have the knowledge and methodology to carry out the quality controls of the debt database and ensure the reliability of the debt data in the long term.

The second activity consisted of a ‘Workshop on the Preparation of a Statistical Debt Bulletin’ whose main objective was to prepare a draft proposal for the production of a statistical bulletin. As a result of the workshop, the Ministry of Economy has decided to publish on its website the Quarterly Debt Report as of the month of October 2018 with the information obtained from DMFAS (see https://economia.rioncego.gov.ar). This concrete result responds to the requirements of transparency of the public finances of the Province.

The recently signed amendment will cover additional capacity building including in the use of a new DMFAS 6 functionality called Data Exportation and a training on the structure of the database. The Data Export is a new utility in DMFAS used to facilitate the export of selected data into customized statistical format.

Upgrading debt management system in Pakistan

An active new project is currently in operation in Pakistan. User of the DMFAS system since 1985, the Economic Affairs Division (EAD) of the Ministry of Finance of Pakistan is currently upgrading to DMFAS 6.

The upgrade is part of a project which covers the move from 5.3 to version 6, as well as technical, basic (February 2019) and advanced (March/April 2019) functional training in the system.

The installation was preceded by a review of the 5.3 debt database to prepare the data for the migration to the new version. Relevant modifications were applied in the database by the EAD officials. This ensured a smooth conversion process.
Version 6 was installed in the Ministry of Finance and EAD experts are now capable of recording data and reporting using DMFAS 6.

The project also foresees an activity relating to the generation of automated payment orders from the system. It will conclude with training in debt data validation which will further strengthen the government’s overall capacity to integrate debt data quality control checks into the recording and verification process of the debt office. This will result in more reliable information for statistical and analytical purposes. Financed by the World Bank, the project, which started late 2018 will end in June.

Basic functional training in Islamabad, January–February 2019

Eritrea joins the DMFAS users’ community

Eritrea is the latest country to adopt DMFAS version 6. The Ministry of Finance (MoF) recently completed the recording of its database of government’s liabilities.

Together, UNCTAD’s DMFAS Programme and the MoF of Eritrea signed a technical cooperation project in July 2018, financed by the African Development Bank through its “Public Financial Management and Statistics Project”.

The objective of this project is to strengthen the public debt management through the implementation of UNCTAD’s debt management system - DMFAS 6 - in the debt office of the MoF and the provision of related capacity building. The project supports the Public Debt Unit (PDU) within the Public Debt and Investment Division of the Treasury Department of the MoF, where most of the ministry’s debt management functions are concentrated.

In the last eight months, the DMFAS system has been installed, IT staff trained in maintaining it, and PDU’s mostly recently-recruited debt officers trained in its use. The third DMFAS training mission which took place in March 2019 oversaw the final constitution of the debt database. The DMFAS system is now used by the PDU staff to manage all the active domestic and external government liabilities of the country.

Both H.E. Mr. Berhane Habtemariam, Minister of Finance, and the representative of the ADB overseeing this project congratulated the project implementation stakeholders for the results achieved so far.
A brief history of debt:
Part IV — Renaissance Italy

Renaissance Italy is well known for its art, architecture and rediscovery of ancient philosophy. However, during that era, spanning the 14th through the 16th century, tremendous innovations in finance and banking emerged.

A major obstacle to the growth of commerce was the Church’s absolute prohibition of usury, which means the charging of interest on loans. This was reinforced by a series of councils held in the 12th century. Canon law incriminated usury from the 12th to 17th century, its rules applying to all of Christendom.

However, with increased economic activity and trade, a pressing need arose for money exchange and the conversion of coins. As the demand grew, so did the number of services. Money changers were soon holding and transferring large sums of money and extending loans to merchants. Because they were forbidden to hold land or engage in more “acceptable” sources of economic enterprise, these money changers were often Jews.

Common financial services came to include granting loans, investing, as well as most of the deposit, credit and transfer functions of a modern bank. In the field of accounting, double-entry bookkeeping became widespread.

During the Renaissance, powerful banking families rose to prominence in Italy, particularly in the city-states of Florence and Venice. They conducted financial operations across Europe. In fact, the oldest bank still in existence today is Banca Monte dei Paschi di Siena, which has been operating continuously since 1472.

The florin (“fiorino d’oro”) of the Republic of Florence was the first European gold coin struck in sufficient quantities to play a significant commercial role. As many Florentine banks were international companies, the florin quickly became the dominant trade coin of Western Europe for large-scale transactions.

One noteworthy family, the Medici, founded a bank in Rome which expanded to offices in London, Pisa, Avignon, Bruges, Milan and Lübeck. So successful was the bank that they were even put in charge of papal finances. Among the services they provided to the popes was the import of wares such as spices, textiles and relics.

The Medici used their wealth to support numerous works such as the Medici Palace, San Lorenzo Church and San Marco Church; they also commissioned countless sculptures and paintings. What was the compensation for all this investment? More political power and the votes of the people!

The greatest danger to banking was the granting of loans to European monarchs to finance wars. The use of mercenary armies and field artillery increased the costs of mounting military operations. To finance these activities, rulers were often willing to repay loans at interest rates as high as 45 to 60 percent. Yet if they were unable to repay the loans, they simply did not.

Thus, extension of credit to rulers was the riskiest activity of all, and in the 1340s, the Bardi and Peruzzi banks discovered this to their sorrow. Both banks made the mistake of lending vast sums to King Edward III of England to finance the conflict with France known as the Hundred Years’ War. The bankers soon realized that they had
extended too much credit, but since they had already lent so much, they felt compelled to lend even more, lest they lose what they had already lent. By 1343, when it became obvious that Edward was not going to win a quick victory, the king repudiated his debts to the unpopular foreign bankers.

The amounts lost were staggering: 900,000 gold florins owed to the Bardi and 600,000 to the Peruzzi, none of it ever repaid. These sums amounted to roughly 128 million and 86 million respectively in today's American dollars. Both firms were utterly ruined and since they also held money on deposit from wealthy customers throughout Italy, their collapse spread financial loss far and wide. Some economic historians have concluded that the collapse of these banks was a major cause of a great depression that lasted for decades.

Some of us may recall an event of a similar magnitude during our own lifetimes. During the financial crisis of 2007-2008, the Lehman Brothers bank failure unleashed an earthquake in the financial community. As we have just seen, such an event was not unique in that bank failures have been occurring for centuries.

As a final thought, it’s interesting to note the origin of the word “bank” which is derived from the Italian banca. The literal meaning of banca was the “bench” where money changers used to transact business. The term was later used to describe the shop itself. Banca rota (from which we obtained the term “bankruptcy”) is simply a broken bench!

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**UNCTAD 12th Debt Management Conference**

**Save the date!**

The next UNCTAD Debt Management Conference will take place from 18 to 20 November 2019, immediately followed by the DMFAS Advisory Group Meeting from 21 to 22 November 2019 in Geneva, Switzerland. More information to follow in the next newsletter and on the DMFAS website: unctad.org/dmfas
Current and planned upcoming events

The full list of activities is also available at: http://unctad.org/dmfas.

- Data validation workshop, Burkina Faso, February 2019
- Debt statistics workshop, Guinea Bissau, February –March 2019
- DMFAS 6 advanced functional training, Eritrea, March 2019
- Debt statistics workshop, Ethiopia-Uganda, March 2019
- DMFAS 6 advanced functional training, Pakistan, March 2019
- Debt statistics workshop, Burkina Faso, April 2019
- Final project evaluation mission, Province of Rio Negro, Argentina, April 2019
- DMFAS 6 customized training, Angola, April-May 2019
- Initial data validation workshop, Honduras, April-May 2019
- Mid-term project evaluation mission, Honduras April-May 2019
- DMFAS 6 basic functional training, Bolivarian Republic of Venezuela, April-May 2019
- DMFAS technical training, Gabon, May 2019
- Debt portfolio analysis workshop, Guinea-Bissau, May 2019
- Analysis of link between IFMIS and DMFAS, Guinea-Bissau, May 2019
- Final project evaluation mission, Guinea-Bissau, May 2019
- Workshop on Public-Private Partnerships and debt management, Côte d’Ivoire, May 2019
- Validation of interface, Bolivia, May-June 2019
- DMFAS 6 advanced functional training, Bolivia, June 2019
- Final project evaluation mission, Bolivia, June 2019
- DMFAS 6 advanced functional training and data validation, Uzbekistan, June 2019
- Data validation workshop, Eritrea, June 2019

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