ADP outlay slashed by 3.26pc

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Power sector is one of the highest recipients of the ADP allocation with 11.1 per cent.

The government has slashed the development budget for the current fiscal year by 3.26 per cent, keeping the local portion of the fund almost unchanged while trimming the foreign part.

As a result, the size of the Annual Development Programme (ADP) has come down to Tk 197,643 crore from Tk 205,144.79 crore in the original plan.

The allocation of the government fund to the revised ADP was trimmed by only Tk 7 lakh.

In the original ADP, the government had contributed Tk 134,643.07 crore for 2020-21. Its revised allocation now stands at Tk 134,643 crore.

The portion of foreign funds has been slashed by 10.64 per cent, or Tk 7,501.72 crore, to Tk 63,000 crore from Tk 70,501.72 crore.

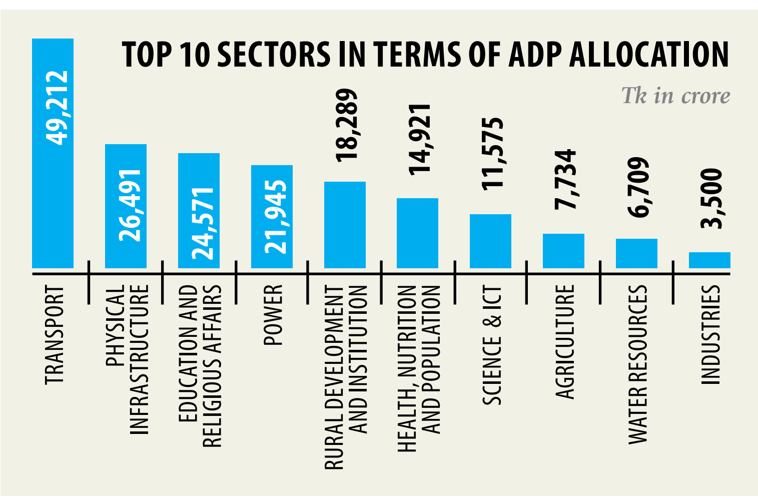
The National Economic Council in a meeting chaired by Prime Minister Sheikh Hasina yesterday approved the planning ministry's revision proposal.

Among the 58 ministries and divisions, the allocation for 36 ministries and divisions was slashed. That for the rest 22 rose.

The local government division got the highest raise, of Tk 3,038.87 crore, taking its total from Tk 31,131.32 crore in the original ADP to Tk 34,170.19 crore. It was to give a boost to the rural economy.

The health services division witnessed the second-highest increase, of Tk 1,925.48 crore. Its allocation now stands at Tk 11,979.34 crore, up from Tk 10,053.86 crore.

This resulted from government initiatives to purchase Covid-19 vaccines and improve associated treatment facilities.



SOURCE: PLANNING MINISTRY

During a press briefing, Md Jainul Bari, secretary to the planning ministry, said the prime minister put emphasis on securing Covid-19 vaccines and ensuring food security and distribution.

A total of 442 projects were selected for completion in the fiscal year. The prime minister stressed completing the projects and said the deadline would not be extended, said the secretary.

For the primary and mass education ministry, the increase was by Tk 1,282.26 crore, while for the water resources ministry Tk 1,095.43 crore and the road transport and highways division Tk 936.01 crore.

Among the ministries or divisions, the local government division got the highest allocation (17.41 per cent) followed by the road, transport and highways division (13.12 per cent), the power division (11.17 per cent), the railways ministry (6.11 per cent), and the health services division (6.10 per cent).

Sector-wise, the highest allocation went to transport (24.90 per cent of the fund), followed by infrastructure, water supply and housing (13.40 per cent), education and religion (12.43 per cent), power (11.10 per cent) and rural development and rural institutions (9.25 per cent).

The NEC allowed autonomous bodies and corporations to spend Tk 11,628.90 crore. Of the sum, Tk 7,753.90 crore will come from their own sources and the rest Tk 3,875 crore from foreign sources.

If this amount is taken into account, the total size of the revised ADP will stand at Tk 209,271.90 crore.

Among those witnessing a cut, the science and technology ministry witnessed the biggest downing of Tk 6,485.25 crore. Originally it was allocated Tk 17,388.94 crore, meaning the figure had now reached Tk 10,903.69 crore.

It was followed by the Bridges Division (by Tk 3,369.46 crore) and Power Division (by Tk 2,868.76 crore).

There are now 1,785 projects under the revised development budget.

Credit guarantee schemes in Bangladesh and other countries

MS Siddiqui

Most small and medium enterprises (SMEs) have encountered poor access to finance globally. Adequate access to finance is crucial for the survival and growth of SMEs. SMEs often lack the collateral for loans from financial institutions (FIs). Adequate financing of SMEs is often constrained by their relatively high credit risk and the conservatism of FIs. As a result, credit guarantee institutions established in many other countries to help enterprises obtain funds from banks.

According to a survey in some countries, 80 per cent to 90 per cent of companies would not have been able to access credit without a guarantee.

In the absence of credit from FIs, SMEs borrow from informal private lenders and small investment companies at a very high-interest rate. In a situation where the FIs was reluctant to lend money to SMEs, credit guarantees contributed in a very significant way to ensure that credit financing was channelled to the real economy.

Credit guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss when a debtor fails to make payment when due. Credit guarantee schemes facilitate access to credit for SMEs that would otherwise be unable to obtain it, transforming the role of these players from 'risk mitigators', which reduce the banking system's information asymmetries, to 'risk underwriters'.

Governments around the world have taken initiatives to establish credit guarantee schemes (CGSs) for SMEs, to help them absorb/share the associated risk and reduce the dependence on collateral. These schemes encourage FIs to lend more to SMEs and at a competitive rate. The guarantee is provided at a cost, but the cost of the guarantee is relatively lower than the private credit services. CGSs also include other services to promote SMEs.

The operating structures through which credit guarantee institutions do business around the world are quite diverse. There are players with widespread regional networks and those with a single centralised office, which relies on the operating structures of the promoting entities or partners (banks, trade associations, SMEs, member and approved bodies) for their sales activities.

Most of the guarantee providers in a perfectly-designed CGS operate as state and publicly held companies, mainly through public capital or central bank of the countries. A few of the CGS operate at a national level and, in some cases, at a regional level. In addition to the government, some FIs, chambers of commerce and, in some cases, state-owned funds may come up with the guarantee. The governments of those countries are, therefore, act as a regulator of such a scheme. There are a few players that are privately held, and public bodies might hold only minimum or residual interests.

These guarantee providers have an internal network regionally having associations mainly located in Europe, Asia and South America. They include AECM (Association Européenne du Cautionnement Mutuel) operating in 18 European countries; ACSIC (Asian Credit Supplementation Institution Confederation) operating in 11 Asian countries; REGAR (Red Iberoamericana de Garantìas) operating in 22 countries, mainly South American but also European; and ALIGA (Asociaciòn Latinoamericana de Instituscionès de Garantìa), which operates at a regional level and includes countries in South America.

They have an inter-organisation relationship and exchange idea and experience to upgrade their services to SMEs.

The relationship between banks and guarantee provider is apparently very close. For the banking system, these players are important intermediaries, not only because of their role as guarantors but also because of their relationships with the SMEs' network. They can bridge the information gap and the trust gap.

CGSs are for SMEs, but not all SMEs are eligible for the guarantee scheme. Therefore, the customer selection process is very crucial. Institutions gather information and gain experience of the region, market and entrepreneurs. They provide training for some particular business, support them with a guaranteed source of raw materials, and help market finished products at a reasonable price.

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GLOBAL BUSINESS

China extends innovation lead over US

Afp, *Geneva*

China, which last year overtook the United States as the world's top filer of international patents, a key measure of technical innovation, increased its lead significantly in 2020, the UN said Tuesday.

Even as Covid-19 took a vast human and economic toll, international patent applications continued to grow strongly, with China leading strong gains from Asia.

A record 275,900 international patents were filed in 2020, marking a four- per cent hike over 2019, the UN's World Intellectual Property Organisation said in its annual report.

"Innovation remains resilient," WIPO chief Daren Tang told reporters.

He stressed though that the filings in 2020 mainly reflected innovations and inventions made prior to the pandemic, since it takes about a year for applications to make their ways through the system.

But the growth in patent filings should still be seen as a positive signal, according to WIPO.

"The fact that there wasn't a sharp cut-back in international patenting suggests that companies continued to invest in the commercialisation of their technologies during the pandemic," WIPO chief economist Carsten Fink told reporters.

By comparison, he said, international patent filings plunged nearly five per cent during the global financial crisis in 2009.

WIPO's complex system of registering international patents involves multiple categories.

In the main category -- the Patent Cooperation Treaty, or PCT -- China remained at the top of the ranking with 68,720 filings.

That marks a jump of more than 16 per cent from 2019, when China passed the United States.

At that point, it was ahead by just over 1,000 applications but it has now expanded its lead to nearly 10,000.

In 2000, China made just 782 international patent filings.

"The growth rate in international patent applications from China has been very high," Fink said.

The United States meanwhile also increased its international filings, by three per cent, to 59,230.

China and the United States were followed by Japan, South Korea and Germany as the world's top patent filers, WIPO said.

The United Nations agency highlighted significant growth in applications by several smaller filers as well.

Saudi Arabia, for instance, saw its international patent applications balloon last year by over 73 per cent to 956, while Malaysia, Chile, Singapore and Brazil also made big advances.

WIPO's report showed Asian-based applicants accounted for 53.7 per cent of all filings, up from 35.7 per cent a decade ago.

For the fourth consecutive year, China-based telecoms giant Huawei Technologies topped the global ranking in 2020, with 5,464 PCT applications.

It was followed by Samsung Electronics of South Korea, with 3,093; Misubishi Electric Corp. of Japan, with 2,810; South Korean LG Electronics at 2,759 and Qualcomm of the United States at 2,173.

Computer technology accounted for the largest share of published PCT applications, with 9.2 per cent of the total, followed by digital communications and medical technology.

This is not necessarily linked to the Covid-19 influenced realities of 2020, Fink said, adding that the 2021 filings should provide more insight into pandemic-fuelled technology trends.

"These patents relate to pre-pandemic innovations so this is not a story about how the crisis has affected the direction of innovation," he said.

Sri Lanka offers strategic deep-sea port to India, Japan

Afp, *Colombo, Sri Lanka*

Sri Lanka will offer a strategically located deep-sea port to India and Japan, an official said Tuesday, as the island seeks to balance traditional ties against China's rising regional influence.

The government last month abruptly pulled out of an agreement with Delhi and Tokyo to jointly develop the partially built East Container Terminal, located next to a $500-million Chinese-run container jetty within the capital Colombo's sprawling port.

But Colombo reversed course Tuesday, offering the West Container Terminal (WCT), which is yet to be built and located on the other side of the Chinese-run jetty known as the Colombo International Container Terminal (CICT).

"The decision to develop the WCT will be only with India and Japan," government spokesman Keheliya Rambukwella told reporters in the capital.

Rambukwella said the cabinet decided Monday to allow India and Japan to have an 85 percent stake in the West Container Terminal -- the same terms China was granted when building the CICT.

It's unclear how Tokyo and Delhi will divide their majority stake in the port.

AFP/FILE

A view of the Chinese-managed terminal of Colombo port as seen from the Galle Face promenade in Colombo.

The government said the Indian High Commission in Colombo has "approved" Sri Lanka's latest offer.

There was no immediate response from India's foreign ministry in New Delhi, and a government spokesman said Japan has yet to respond to the new proposal.

The government blamed trade unions calling for local instead of foreign development for last month's abrogation of the East Container Terminal, which will now be completed by the Sri Lanka Ports Authority.

Colombo is located in the Indian Ocean between the major hubs of Dubai and Singapore, meaning control of its ports is highly sought after. Two Chinese submarines berthed at the CICT -- which started operations in 2013 -- in 2014, sparking concerns in India which considers neighbour Sri Lanka to be within its sphere of influence.

Since then, Sri Lanka has refused permission for further submarine calls.

In December 2017, unable to repay a huge Chinese loan, Sri Lanka allowed China Merchants Port Holdings to take over the southern Hambantota port, which straddles the world's busiest east-west shipping route.

UK to extend virus support, may raise tax in budget

Afp, *London*

Britain is expected to keep vast emergency financial support propping up the UK's virus-battered economy when unveiling its annual budget Wednesday, but could also raise tax to fight surging debt. "The key thing is right now to keep supporting the economy... but also level with people," finance minister Rishi Sunak said Sunday, as Britain from next week begins to exit its third Covid lockdown.

Britain is the worst-hit country in Europe with more than 120,000 Covid deaths and four million cases but its economic recovery hopes have been boosted by its vaccination of millions of adults.

Britain's Chancellor of the Exchequer Rishi Sunak

Reports suggest that Chancellor of the Exchequer Sunak will pump out extra billions of pounds to help save jobs and businesses.

But he is expected also to increase corporation tax, or a levy on company profits, from a UK record-low 19 percent while sticking to the Conservative government's pre-pandemic pledge not to increase income tax or value added tax (VAT). "An increase in corporation tax is likely to be, intentionally or not, the flagship measure," Barclays said in a client note. "Put in perspective, corporation tax is not a main lever in terms of revenues -- around 10 per cent of tax receipts -- but probably the path of least resistance as the government explores ways to fix its revenue shortfall. "Prime Minister Boris Johnson's government has in fact cut VAT on food, accommodation and attractions during the coronavirus outbreak.

It has also lifted the threshold at which stamp duty is due on home purchases, helping property buyers and the construction sector.

Both these temporary measures could be extended in the budget, according to economists.

A cross-panel of MPs, in a report Monday, said it was too soon to raise taxes and that corporation tax should eventually be raised only moderately, while being combined with continued support measures for businesses.