

Feature Banking and Finance

When Insurance Companies can and cannot Flourish

by AAG Kabir

THE Government of Bangladesh amended the Insurance Corporations Act, 1973, to enable the private insurance companies to do their business in the country.

Insurance rules extending to the period of selling the public shares to the general public.

The increase in insurance premium can be attributed to three factors — firstly, the increase of economic activities within the country, secondly, the initiative of the private insurance companies to approach people who were not under compulsion to do insurance of their property, and thirdly, inflation.

ernment accept this recommendation as a basis then another nine companies may be allowed to be registered.

Apart from the business aspect, if the following matter is taken into consideration, the government should not allow more than one company to be floated in one year.

The government's inaction is working against the interest of the four companies which sold their shares to the general public following the existing insurance rules.

Thus the sponsors of the companies which have not yet sold their shares to the public have been getting more benefit (the amount of dividend) than the sponsors of the companies which have sold their shares to the public due to government's inability to enforce the insurance rules regarding subscription of public shares.

According to Insurance Acts and Rules, capital requirement for general insurance companies were fixed at Tk six crore and that for life insurance companies at Tk three crore, three crore.

their shares to the public have been declaring their dividend on the subscribed capital of Tk three crore.

and business activities increases substantially, there is hardly any chance of growth of new companies if permitted to operate now.

It is understood that the government has received applications for permission of 40 general insurance companies and nine life insurance companies. Most of the new sponsors must have thought that general insurance business is a very profitable one as the existing companies have been declaring dividend ranging from 12 per cent to 26 per cent.

more than 18 to 20 of them in a year, both will suffer. The SBC shall be in real difficulty to manage its affairs.

As a result, from 1973 to date the SBC could not follow the normal practice of recruiting a desirable number of new hands each year.

When the Insurance Commission of 1988 submitted its report, the total premium income of private companies was around 60 crore.

Out of 16 general insurance companies about eight do not have their managing directors

Minerals Boom Going Bust

OFTEN referred to as 'a mountain of gold floating on a sea of oil,' Papua New Guinea with its emerging minerals boom could well fall victim to the increasing incidences of violent disputes between disgruntled landowners and mining companies exploiting these resources.

health services, no community schools, and the mine was going to help use get some of these services," said Akiwa Irupu, chairman of the Mt Kare landowners who won the mine jointly with CRA Minerals Limited of Australia.

To protect mining resources and maintain investor confidence, the PNG government has placed all mining operations around the country under joint police and military patrol.

With the Bougainville island crisis that led to the forcible closure of PNG's important copper mine there three years ago still unresolved, another mining operation — the Mt Kare gold mine — now lies idle following a violent gang attack last month that sent shockwaves throughout the industry.

The PNG Chamber of Mines and Petroleum cited the attack as its reason for pulling out of an upcoming investment promotion mission 'Roadshow '92' to Europe, aimed at attracting investment in PNG's vast mining potential.

There is a growing fear that land disputes, compensation claims and violence will drive away foreign investment from resource-rich Papua New Guinea. Blasius Koki of IPS reports.

The gold mine's importance lies in the fact that it represented a test case in ownership of PNG mining resources. For the first time, landowner groups were an integral part of the operation, having a 49 per cent stake in the mine.

Despite this novel approach of joint ownership between CRA Minerals and a group of Mt Kare landowners, the mine has been plagued by disputes between rival landowner groups since it began operations one year ago.

The January attack was staged by dissident landowners excluded from the deal and who are seeking to challenge the validity of the lease granted by the government to the developers.

But the problem goes much deeper than being simply an internal matter affecting local landowners. Central to the problem is the fact that the vast majority of land in Papua New Guinea is traditionally owned.

The problems will never be resolved until property rights of landowners are safeguarded, protected and promoted, rather than being dependent on the goodwill of the government or the mining companies," said Donigi.

Landowners from 49 different clans are claiming ownership of the barren isolated hillside in the dense PNG highland forest on which the Mt Kare gold mine is located.

For more than a year now, a court battle has been waged by contending landowner groups excluded from the present arrangement and the validity of the lease granted to the developers by the government. Others want CRA Minerals to withdraw from the project and are demanding 100 per cent ownership of the mine by landowners.

Another major obstacle is the PNG Mining Act itself, which vests ownership of minerals to the state. A legal challenge by the landowners before the national court argues that the act amounts to a breach of their constitutional right 'to freedom from unjust deprivation of property'.



Shown, a pilot plant in northern Germany for the reprocessing of old automobiles: Workers here are removing the gasoline tank from an accident vehicle in a facility in Leer (East Friesland, in Lower Saxony).

90s should Not be Another Lost Decade

by Daya Kishan Thussu

THE current turmoil in European currencies provides a sobering lesson for developing countries. It has shown how the market can reduce governments to mere spectators while bankers make billions.

The report shows that commodity prices declined by 11 per cent in 1991. Prices of coffee and cocoa, Africa's two key export earners, are currently at their lowest level in 17 years.

Banks are less willing to give loans because of their losses. The "debt deflation" in the world's major economies has prolonged the recession.

UNCTAD, a forum for north-south economic dialogue, emphasises that Third World growth depends on the economic health of the industrialised world.

generate stability or growth unaided. Governments must resume their responsibilities, by acting to foster a return to financial stability and to stimulate the level of economic activity.

The report argues that export-oriented growth is necessary for the Third World, but adds that the industrialised countries must relax their import restrictions.

The experience of developing countries in the 1980s suggests that liberalising trade can have a destabilising effect if the economy has insufficient foreign exchange to finance an adequate level of imports, because it may need to be accompanied by sharp devaluation.

The report warns that developing countries which have rapidly liberalised their economies could face political instability, especially those with fledgling democracies.

Trade liberalisation needs to be introduced with care, the report counsels. A sudden lifting of protection will "cause irreversible losses of capital, labour skills and technological capabilities."

As a rebuff to free-marketisers the report criticises "the simplistic view that any form of protection is inimical to export success."

Citing South Korea and Taiwan, it says: "Most successful exporters have managed to combine elements of both export promotion and protection."

The report has a world of caution for the developing countries being forced by the IMF and the World Bank to "reform" their economies under structural adjustment programmes.

Gradualism appears to be the report's watchword. It recommends a phased approach whereby economic stabilisation comes first and structural reforms are implemented in a gradual sequence.

In addition, the report repeats calls for more generous debt relief for the poorest countries. In 1991, total long-term debt of developing countries was \$1,000 billion.

The report warns that without urgent policy measures the world economy will continue to stagnate. It concludes that for global growth "1980s thinking should not be allowed to stand in the way of producing another 'lost decade'".

The monetarism and free market philosophy that characterised the 1980s seem to have failed. Eastern Europeans are now finding out what many in Third World know from bitter experience: that the market is not the global panacea.

The recession — the most severe since World War Two — has wrecked the world economy, says the 1992 Trade and Development Report and, what is worse, there are few signs of recovery.

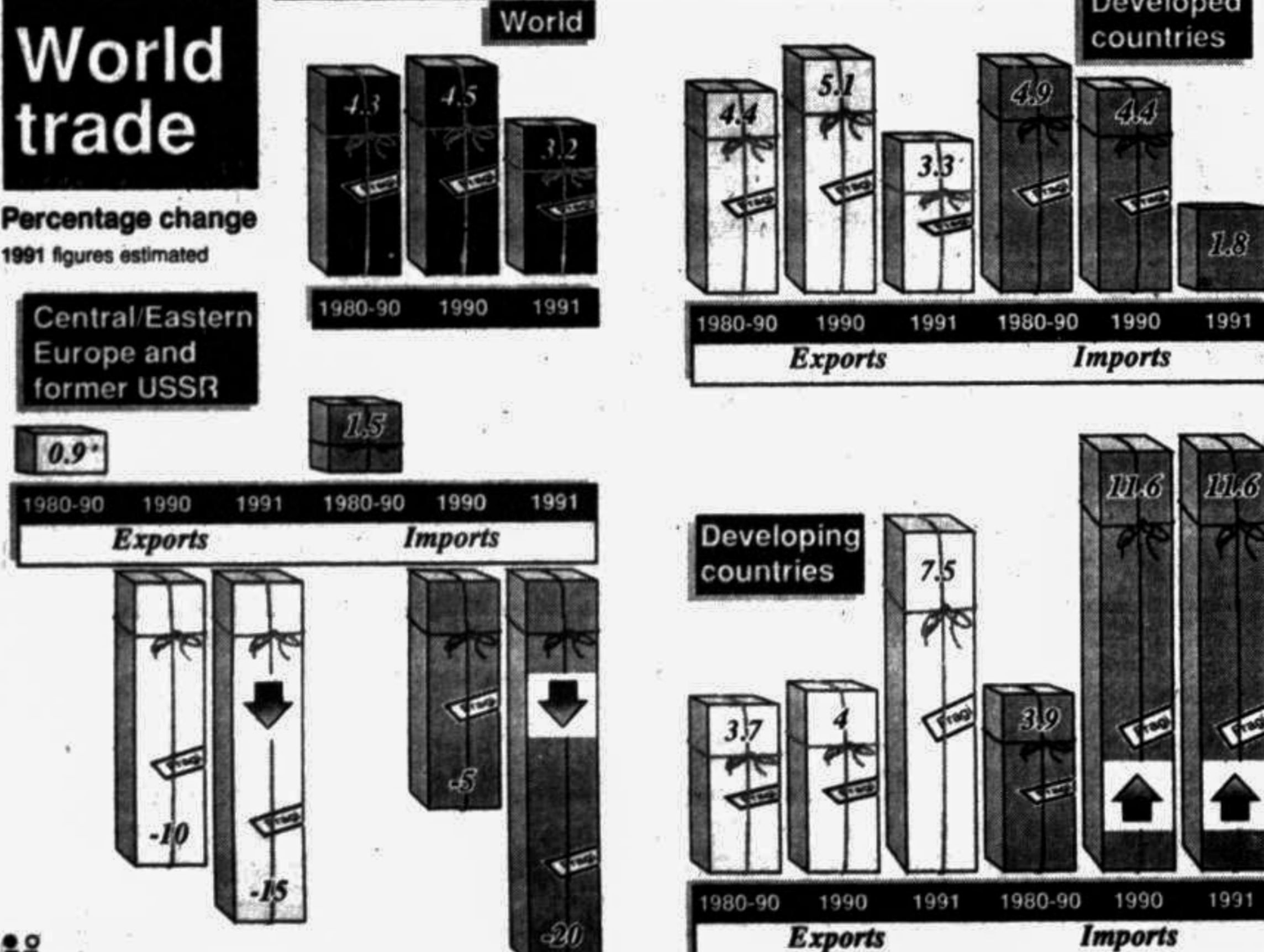
The report warns that the world economy is in a "danger zone", due to the policies of the 1980s: the use of monetary rather than fiscal policy to manage the economy and the deregulation of financial transactions, increasing the globalisation of capital markets.

The report, issued by the United Nations Conference on Trade and Development (UNCTAD), points out that production has fallen in the United States and stagnated in Western Europe and Japan.

Post-Communist countries in Eastern Europe and former Soviet Union have found that under capitalism living standards have actually fallen. Industrial and farm production have declined and trade flows have been disrupted.

In the Third World, Africa and much of Asia face economic stagnation. However, growth has picked up in Latin America and East Asia. For the first time in many years a positive net transfer of resources has taken place in Latin America. It remains to be seen how long it stays that way.

In Africa poor export earnings have compounded the problems faced by the IMF-dictated structural adjustment programmes.



M 2340 Source: UNCTAD

alised world. However, it challenges the IMF/World Bank orthodoxy and calls for Keynesian policies of "raising government spending in order to stimulate private consumption and investment demand, and thus make fuller use of productive capacities."

"A private sector weighed down by debt and high long-term interest rates will not

port restrictions. However, it concludes that "the trend towards greater openness in developing countries had been accompanied by more, not less, protectionism in developed ones."

A successful conclusion to the stalled GATT (General Agreement on Tariffs and Trade) talks on world trade is needed to stimulate global trade.

IFAD Earmarks US\$253m for Rural Farmers

by Mounir B Abboud

FOR the first time since the civil war ended in Lebanon, an international agricultural funding agency will reach out to some of the beleaguered rural people who suffered the most during the war.

The International Fund for Agricultural Development (IFAD) will support a programme to rehabilitate livestock raising among poor farmers in the Bekaa Valley.

There, some 8,500 farming families whose annual income is less than half the national average will receive credit services, improved livestock breeds and artificial insemination services.

Lebanese women, who took most of the burden of providing food for the family while the men were at war, will be given easy loan facilities for bee-keeping, carpet weaving and ceramics making.

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The project co-financed by the UN Development Programme (UNDP) and closely involving the UN Education Scientific and Cultural Organisation (UNESCO) — will not attempt to change abruptly the traditional methods of local fishing.

Rather, village cooperatives will be organised in order to improve the processing and marketing of fish products, provide credit and establish direct market contacts, hopefully to eliminate middlemen and control poaching.

Local women will be trained in cottage industries and health care.

Asia will benefit from four new IFAD initiatives. Nine new projects worldwide are designed to upgrade rural farming, offshore fishing and livestock raising.

Asia will benefit from four new IFAD initiatives. Bhutan will get assistance for 21,730 of the nation's poorest families, two-thirds of whom on farms of only 1.5 hectares or less. They will be assisted to increase farm production at the same time maintaining the natural resource base upon which production largely depends.

Instead of the usual approach where farmers are told the basic problems and left alone to solve them, the Bhutan programme responds directly to what farmers see as their needs and interests, an approach found successful in other IFAD projects.

Discussions will be regularly held and priorities set: rehabilitation of small irrigation systems, soil conservation, improvement of pastures and integration of poultry and pig-

raising with crops. Women particularly have expressed interest in buying livestock and equipment for oil distillation and in starting up vegetable gardens.

IFAD's Low-Lying Land Development Project will assist more than 73,000 of the poorest families in Jilin, northeast China. The harsh climate along with periodic floods and droughts makes farming difficult and harvests unreliable.

Women will be assisted in livestock raising and fishpond maintenance while being taught the rudiments of marketing and farm management.

In Indonesia, IFAD will assist smallholders who have transmigrated to the Musti Deha region of Sumatra by increasing food production and income. The Sumatra Smallholders Tree Crop Development Project will benefit 13,200 of the poorest families by supporting their needs in farming hybrid coconuts and other staple food crops.

Self-help groups will be organised to make on-farm improvements necessary for coconut farming to yield maximum results. Credit will likewise be extended to the working groups.

In the Visayan region of central Philippines, IFAD will establish its third major irrigation project to benefit some 11,600 families whose holdings average less than a hectare and whose income is well below the poverty line.

Vital to this project is the protection of the natural resource base. To achieve this, IFAD personnel will initiate conservation measures, particularly in degraded watershed areas. Farmers will be taught how to use water wisely, plant trees in denuded areas and raise livestock as post-harvest practices.