

DUTCH DEVELOPMENT BANK FMO INVESTS IN ENTREPRENEURSHIP IN BANGLADESH

## Entrepreneurship is the Engine for Growth and Development

While the Netherlands prepares for the celebration of Queen Beatrix's silver jubilee on April 30, a delegation from Dutch development bank FMO visited Bangladesh. FMO has a long-standing relationship with the country. "We have been investing in the Bangladeshi private sector for about 25 years," FMO's CEO Arthur Arnold estimated during his flight to the country. With an investment portfolio of USD 130 million, FMO is one of the largest foreign investors in the country.

**D**URING its five-day visit, the delegation from FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden, or Netherlands Development Finance Company, as it is known in English) spoke with, among others, representatives of various ministries, Bangladesh Bank administrators, and board members of both commercial and state banks that have gone the way of privatization, such as Agrani Bank and Rupali Bank. FMO is one of the possible foreign partners to advise Bangladeshi state banks in the process of their privatizations.

CEO Arthur Arnold explains FMO's role: "In the process of privatizations such as those of Agrani Bank and Rupali Bank, we often contribute in three areas. Firstly, we help the bank find local and international investors who would want to become the bank's shareholders after the privatization. To achieve this, we refer to our extensive network of banks and

other investors, both in Bangladesh and internationally. In addition, we advise the bank's management during the establishment of various operational and policy issues. We can provide training for management and employees, as well as for qualified individuals who will support local management on an interim basis. Finally, we extend loans so that the bank can offer products to its customers.

Professionalizing the Banking Sector

Although FMO has been active in Bangladesh for about 25 years, its activities have expanded considerably, particularly in the last three years. Thus, FMO has contributed to the further professionalization of the financial sector with investments, product development, training, and various seminars in Dhaka for the entire Bangladeshi banking sector.

Dutch-Bangla Bank Ltd. (DBBL) is in name alone a notable example of the successful collaboration between the Bangladeshis and the

Dutch. Nearly 10 years ago, FMO was one of the co-founders and shareholders of this private bank, which was named Best Bank in Bangladesh in both 2003 and 2004. DBBL has many followers within the local financial market in terms of structure, operating procedure, and management.

In addition to DBBL, FMO and its Bangladeshi and international partners have invested in financial institutions such as Shilpa Bank, SouthEast Bank, Dhaka Bank, Delta Brac Housing Finance, and Prime Bank. Arnold indicates that FMO is exploring the possibilities of collaboration with Mercantile Bank, One Bank, BankAsia and Premier Bank.

Energy and Health Care

During the recent visit, FMO explored expansion into other sectors in Bangladesh, such as energy, healthcare and mobile telephony. "We had already invested in Khulna Power and CDC Haripur Power," reports Arnold. "We are currently talking to local NGO Waste Concern regarding the financing of a

joint venture. There are concrete plans to build a compost factory and a biogas plant at the Dhaka refuse dump, which can contribute to the country's energy supply. The compost factory will provide compost quality that is not only cheaper but that is also much better for the soil than the chemical fertilizer currently being used. Additionally, we are working with various local and foreign sponsors to establish a new hospital in Chittagong managed by American company Trinity Health, which is one of the largest hospital chains in the United States."

FMO is expanding into other sectors in Bangladesh, but Arnold stresses that further professionalization of the financial sector remains a high priority. "Economic growth and successful entrepreneurship have a number of basic requirements: a sound financial sector, telecommunications, and energy supply, and good management, education, and healthcare. It is essential that entrepreneurs can take out loans to run and expand their businesses. That is typically not a problem for the number-one companies in a given sector, but it is for second-tier enterprises, SMEs and the small-scale entrepreneurs. FMO strives to improve access to finance precisely for these groups."

Stimulating Entrepreneurship

FMO is the international development bank of the Netherlands and is owned by the Dutch government (51%), banks and business community. FMO invests in enterprises and financial institutions in developing markets in Asia, Africa, Latin America, and Eastern Europe. Arnold explains the methodology of development banks: "Our goal is to contribute to a population's welfare. We do this by stimulating entrepreneurship. We invest in not only in large enterprises but also in the many thousands of small- and medium-scale entrepreneurs who have their own businesses or sell at the market. Entrepreneurship is the engine for growth and development. The more activity, the more economic growth, the more welfare."

FMO is active in high-risk countries in which many foreign banks and enterprises are apprehensive to invest. "We are pioneers," says Arnold. "Thanks in part to the involvement of the Dutch government, FMO is able to take greater risks than commercial banks and investors are able to. Our participation creates trust, so that - over time - these enterprises become attractive investments for both local and international parties. Once they get involved, our mission is accomplished and we step back. For example, FMO has sold its 30% share in DBBL for the most part to private investors. We are now primarily advising in the areas of management and social and environmental policy, and we grant loans."

Arnold expects FMO's activities in Bangladesh to grow further in the coming year. At present, FMO has already invested approximately USD 130 million, while USD 120 million has once again been committed to specific projects for the next two years. "Bangladesh has a lot of potential and is developing quickly. There are plenty of opportunities for entrepreneurship, so there is plenty of business for FMO."

## Mutual interests, mutual responsibilities Dutch development cooperation heading for 2015

**O**F every 100 euros earned in the Netherlands, 80 cents is spent on development cooperation. Some sceptics say: development cooperation is just a drop in the ocean. But that single drop has become an ocean in itself. Worldwide over the last ten years, it has facilitated 800 million people access to safe drinking water. More than 80 percent of children in developing countries are now going to school: far more than ten years ago. A lot is being achieved, but of course there is still a long way to go.

Development cooperation is important. No man is an island and no country can cut itself off from the rest of the world. We have to work together. The prosperity of a country like the Netherlands depends heavily on world trade and industry in other parts of the world. Environmental problems transcend national borders and cross the oceans. Viruses and diseases likewise. Civil wars and international strife not only cause poverty but force whole populations to flee and sometimes form a seedbed for international crime and terrorism. In short, it is in all our interests to make our world clean, green, stable and secure. And we can only do it by working together.

At the dawn of the new Millennium, the will to cooperate was made abundantly clear when all the members countries of the United Nations signed a joint declaration. In it, they set themselves eight goals, with the overall objective of halving poverty in the world by 2015. These eight Millennium Development Goals (MDGs) are concrete and clearly measurable. Together they form a common agenda for countries in both the West and the developing world.

The Dutch policy document: *Mutual Interests, Mutual Responsibilities* is guided by these MDGs. The document identifies the issues on which the Netherlands intends to concentrate, given that, with the inevitable budgetary constraints, choices have to be made. Each year, the Netherlands allocates about 4 billion for development cooperation (equivalent to 0.8% of GNP). That is a lot of money. Yet it is only a fraction of what is needed to achieve the MDGs by 2015.

The Netherlands wants to use the money as effectively as possible. But it is not just a question of money. It is above all important that developing

countries are given the chance to further their own development. This requires good governance and freedom from corruption. Developing countries should also be given the chance to sell their products in the West, and the West has to open its markets to them. Dumping subsidised agricultural products in developing countries should stop. In addition to creating a more levelled playing field for trade, action is also needed to encourage business investment in developing countries.

So money alone will not ensure that the MDGs are achieved. Cooperation is needed. Not just between governments, but more particularly between government and civil society organisations, citizens, knowledge institutions and business in both rich and poor countries. Development cooperation is not a matter of choice. We all have a role to play in it, given our mutual responsibility for achieving the MDGs by 2015. Sustainable development is only possible if all parties work together in partnership. In this interplay the business sector has an indispensable role. That is why Dutch firms have been called on to

enter into public-private partnerships for sustainable development. The aim is for all parties involved to play their part by contributing their own particular knowledge, skills and resources so that together they achieve more than by working in isolation.

Netherlands development cooperation will target the poorest countries. The Netherlands has also made certain choices as regards the MDGs. It has decided to concentrate on five crucial themes: education, the environment, water, action against HIV/AIDS and reproductive health (i.e. all the issues surrounding sexuality and having children). By doing so, the Netherlands will invest in people, in freedom of choice and in the future. But it will also invest in the institutions required to provide the necessary services.

Poverty reduction can only be sustainable when economic, social and ecological developments are in balance. The objective is to achieve sustainable development, meaning that the world must be a pleasant place to live for future generations too. This involves more than merely funding and implementing programmes. It is up to governments, members of the public, organisations and businesses to raise awareness about issues like adopting ethical patterns of production, consumption and investment, striving for fair trade and to promote healthy, growing economies in developing countries, with fair access to markets.

Development cooperation is a responsibility of the entire global community. Business, knowledge institutions and civil society organisations all have their own particular role to play and possess their own expertise, influence and experience. That is why the Dutch government is entering into partnerships with them. Like the public-private partnerships now on the stocks for action against AIDS, for water management and for the development of the financial sector in developing countries.

We are all heading for 2015. Development cooperation is a responsibility of the entire global community. So it is a responsibility we all share.

Heartiest felicitations to the friendly people of The Netherlands on the Happy Birthday of Her Majesty Queen Beatrix



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On the occasion of  
Queen's Day and  
The National Day of the Netherlands

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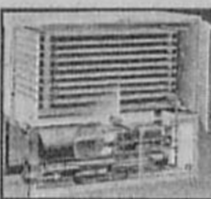
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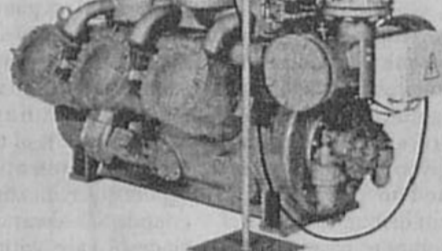
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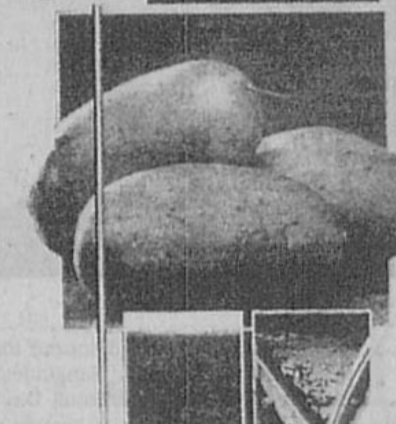


GENEGLACE

Supply Reference in Bangladesh:

- Amam Sea Foods, Apex Foods Ltd., Atlas Sea Foods, Bagerhat Sea Food Ind. Ltd., Beximco Foods Ltd., Chowdhury & Co. Ltd., Coastal Sea Foods, Fish Preservers Ltd., Fresh Foods Ltd., Gemini Sea Food Ltd., Jahanabad Sea Foods Ltd., Kuliarchar Cold Storage Ltd., Meenhar Sea Foods Ltd., Organic Shrimps Export Ltd., Purbani Traders, Rupsha Fish and Allied Ind. Ltd., Sar & Co. Ltd., Southern Foods Ltd., Transcom Beverages Ltd., Golden Harvest Agro Industries Ltd.

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Our warmest felicitations to Her Majesty Queen Beatrix and to the friendly people of the Netherlands on their National Day

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