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UK

## Barnevik lends a hand

By Clive Cookson

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Europe's hottest business executive of the 1990s is re-emerging into the public eye. After a career at the head of big companies such as ABB and AstraZeneca, Percy Barnevik is leading a drive to create millions of micro-businesses in the developing world.

For three years Mr Barnevik has quietly been funding and organising Hand in Hand, a charity that is lifting some of the poorest people in the south Indian state of Tamil Nadu out of poverty. In the process 60,000 "family enterprises" have already been created, mainly by women, and 4,000 new businesses are starting every month.

Mr Barnevik, a 66-year-old Swede who has lived in London for the past decade, is now ready to go global with Hand in Hand. The next steps will be into South Africa and Afghanistan, as well as other Indian states, followed probably by China and Vietnam and then other countries in Africa and South America.

The target, he says, is to create 1.3m jobs and 250,000 enterprises in Tamil Nadu within five years. The worldwide total could be 50m jobs in 10 years.

After spending \$5m (£2.5m) a year of his own money to build up the Tamil Nadu operations of Hand in Hand, Mr Barnevik is beginning to look for other donors. The first substantial gift, \$5m, has come from fellow Swede Jonas af Jochnick, co-founder of the cosmetics group Oriflame. Donald Rumsfeld, the former US defence secretary who got to know Mr Barnevik when he served on the ABB board, has contributed \$500,000 for Hand in Hand in Afghanistan.

Microfinance and microcredit - providing small loans to help poor people start businesses - have recently become a popular form of philanthropy. And the award of last year's Nobel Peace Prize to Muhammad Yunus, the Bangladeshi pioneer of microfinance, drew international attention to its potential.

"A growing number of people who have made money in business are throwing themselves into microfinance," says Alex Counts, president of Grameen Foundation, a global microfinance network.

Although Hand in Hand follows a broadly similar agenda to other microcredit initiatives that attempt to alleviate poverty through female entrepreneurship and education, Mr Barnevik says a "holistic approach" based on "five pillars" makes it particularly effective. The five priorities are to:

\*Mobilise the poorest women, who are largely illiterate and live outside the Hindu caste system on less than \$1 a day, into self-help groups. To help them make good use of their micro-credit, 700 full-time business consultants coach and mentor these women.

\*Eliminate child labour, by ending the tradition of "bonding" 8-10 year olds to weaving shops. These children now study at schools supported by Hand in Hand.

\*Equip "citizen centres" with books, computers and internet connections. Voluntary workers such as retired civil servants encourage villagers to exercise their political rights as citizens.

\*Set up medical camps where doctors and nurses carry out free examinations and provide access to basic drugs, vaccines and health education.

\*Improve the local environment, by digging water tanks and removing the rubbish that often disfigures Indian towns. Plastic and metal waste is sold to industry for recycling, and organic materials are converted to compost for farms and gardens.

Hand in Hand directly employs 1,100 people, supported by a further 700 part-time teachers and 5,000 volunteers. But running costs are remarkably low, given the scale of operations.

"I apply the highly efficient management methods that I have learned over 40 years in industry. Only 3 per cent of our funds are spent on administration," says Mr Barnevik. "It helps that we have no westerners on the payroll. Even our CEO, Kalpana Sankar, earns only a third or a quarter as much as a United Nations consultant in Afghanistan."

A key factor in the success of Hand in Hand, according to Mr Barnevik, is the extensive use of business consultants to make sure that the women entrepreneurs make good use of their loans (which average \$125). Default rates have been extremely low.

"These women have real entrepreneurial spirit," he says. Their enterprises cover a wide range of activities, from retailing and services such as catering and laundry to market gardening and manufacturing products such as toys and looms. Because middle-class Indian incomes are growing fast, there is plenty of demand.

"Obtaining finance for the loans is not a problem," Mr Barnevik says. "Banks are queuing up to lend us money," he adds, at an interest rate of 12 per cent, compared to 20-30 per cent in the open market and the 100 per cent-plus rates charged by local loan sharks.

Hand in Hand has faced a "backlash from established power in the villages", concedes Mr Barnevik. This came from "old, high-caste men who used to decide everything, landowners needing cheap day labour, local lenders, middlemen who get cut out, weaving company owners losing child labour, husbands being jealous and losing power and politicians trying to manipulate voting".

But Dr Sankar says the hostility is waning: "We can mobilise 5,000 volunteers - not just women but also village youth and retired teachers. We have the backing of the community."

For the worldwide roll-out of Hand in Hand, Mr Barnevik expects to hire and train 1,600 consultants over the next 10 years. "Training is our real bottleneck, not funding," he says. "Consultants must speak English, they will probably need a college education and they should have worked with us for a year or two in the field."

One answer will be to engage international business schools in the consultants' training. Mr Barnevik is discussing with Stanford Business School and Oxford's Saïd Business School the possibility of establishing a joint training centre in Chennai, the capital of Tamil Nadu, and the two schools may send students to gain practical experience with Hand in Hand.

"I am intrigued by the combination of microfinance and training, and by the scale on which he hopes to operate," says Colin Mayer, dean of the Saïd school.

The rewards will be immense, Mr Barnevik says: "We are talking about the mass-mobilisation of downtrodden people into entrepreneurship and economic growth."

Pay-out row that took the lustre off a sparkling business career

Percy Barnevik's glittering business career was tarnished in the public eye in 2002, when a row erupted over his SFr148m (£61m) pension package from ABB, the Swiss-Swedish electrical engineering giant he had led since its creation in 1988 through the merger of Asea and Brown Boveri. His pay-out coincided with a slump in the group's financial fortunes.

While maintaining that he had done nothing wrong, Mr Barnevik returned 60 per cent of the money to avoid lengthy litigation. At the same time, he retired as chairman of Investor, the investment vehicle of Sweden's immensely wealthy Wallenberg industrial dynasty.

But Mr Barnevik remained chairman of AstraZeneca, the Anglo-Swiss pharmaceutical group, until the end of 2004. He continues to serve as a non-executive director of General Motors, the US auto giant, where he adds a European voice to the predominantly American board.

"I have been on the GM board for more than 10 years," Mr Barnevik says. "They have had their fair share of difficulties recently - and this is not the time to leave them."

Mr Barnevik says GM and other advisory commitments take up about 20 per cent of his time and energy, leaving him to devote 80 per cent to Hand in Hand.

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