

From The Times

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Taking world out of poverty by leading it Hand in Hand

Percy Barnevik wants to create 1.3 million jobs — and he has given himself five years to do it

Ashling O'Connor in Madras

To judge by the entrepreneurial fire in Sheela's eyes, it seems that Percy Barnevik has been putting his multimillion-pound pension package to good use in the five years since his controversial departure from ABB, the Swiss-Swedish electrical engineering group.

"We want to expand; to buy a packing machine and a fridge," said the 35-year-old businesswoman, who is among eight shareholders in a bakery near Madras in southern India.

In a sweltering room containing two ovens and little fresh air, the women churn out 1,000 buns and 1,025 biscuits every day for the workers at a local textiles company. Their toil is not in vain, as turnover rises 40 per cent a month to an estimated 120,000 rupees in July. By Christmas they will own the business outright, having repaid a 230,000 rupee (£2,785) start-up loan facilitated by Hand in Hand, a not-for-profit organisation backed by Mr Barnevik. Sheela is not stopping there. The business will take out another loan of up to 150,000 rupees to fund its expansion.

The bakery is one of 64,000 small to medium-sized enterprises in India founded – mainly by women from the lowest castes – under the auspices of Hand in Hand over the past three years. Every month, 4,000 new businesses are begun with the help of microfinance, a well-regarded lending mechanism for the poor that cuts out loan sharks and fosters collective responsibility within small communities – default rates on loans averaging \$125 (£61) are less than 0.5 per cent.

Job creation is one of the ways in which Mr Barnevik, who was also chairman of AstraZeneca until 2004, hopes to change the world in his retirement. Within five years, the 66-year-old Swede aims to create 1.3 million jobs and 250,000 businesses in the state of Tamil Nadu alone, but by exporting a "five-pillar" model – mobilising illiterate women, eliminating child labour, improving water and waste management, promoting health education and equipping citizens with the tools of democracy – he hopes to create 50 million jobs worldwide in the next decade.

"An Indian-based charity working to alleviate poverty is unique. Most come out of the developed world," Mr Barnevik said. "Indians with grassroots experience will be better received in former colonial areas than white people."

Programmes in Afghanistan – to which Donald Rumsfeld, the former US Defence Secretary, has donated \$500,000 – and South Africa are already under way and discussions are taking place with China.

In the background is the United Nations' millennium target: to halve by 2015 the extreme poverty that afflicts 1.1 billion of the world's people, eradicating it by 2025.

"It can be done, but only if we allocate more money to self-help. Every year, \$110 billion is given in world aid but only \$2 billion goes towards self-help," Mr Barnevik said. "In SouthEast Asia, one billion people have made it out of poverty, but they didn't do it with aid. We have to replace the giving with lending and training."

While Mr Barnevik – still a nonexecutive director of General Motors – has donated about £7 million to Hand in Hand, he insists that the organisation should become self-supportive. "Everything we do must be sustainable," said. "We are just the facilitator and the trainer. As long as there are illiterate people behind the curve, we need to keep training. But it's like school – once you graduate, you're on your own."

Besides mobilising the masses into education and enterprise, the organisation is rallying support from governments and companies to help to cover its biggest overhead: training costs.

One way that Hand in Hand claims to be different from other nongovernmental organisations is that all of its 1,300 staff are Indian. It has also recruited 5,500 volunteers. Central administration costs are below 3 per cent.

"It's what you would do in any company," Mr Barnevik said. "What gets measured gets done." In the Aina Tailoring Centre, set up by Hand in Hand, what gets measured are men's shirts. Nineteen tailors and four helpers make 100 a day, earning about 1,500 rupees each a month.

For Valarmathi, a 24-year-old school dropout, the alternative was working in her family's sweet shop. "Now I have this job, my family's economic situation is eased," she said.



Percy Barnevik

Born: February 13, 1941, Simrishamn, Sweden

Education: Stanford University, California; Gothenburg School of Economics

Career:

Started at The Johnson Group in Stockholm. Ran ASEA throughout the 1980s and oversaw its merger with Brown Boveri to create ABB. His £61 million payout coincided with a slump in the group's financial performance – the shareholder outcry prompted him to give more than half of it back to avoid a protracted legal dispute, although he denied any wrongdoing. He remains on the GM board

Interests: He devotes most of his time to Hand in Hand and the rest to his grandchildren

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