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## Size is everything in Swede's business-led battle with poverty

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Mention a scale model and most people think of a miniature train, car or an iconic building in perfect replica. But for Swedish industrialist Percy Barnevik, scale - huge scale - is the right model for raising the world's "bottom billion" out of poverty, including hundreds of millions in China.

Since stepping down in 2001 as chairman of one of the world's leading engineering companies, ABB, formerly known as Asea Brown Boveri, he has been on a mission to mobilise the world's poorest into entrepreneurship and job creation.

Unlike many people his age, Mr Barnevik, 66, is unwilling to "retire to Spain to drink gin and tonic". He is the founding donor and international chairman of Hand in Hand, an Indian charitable trust run by 4,000 local Indian employees and 9,000 volunteers to deliver large-scale results rapidly - and which is growing fast.

"Where we differ from other charities is that we build scale. I don't want to help a thousand downtrodden women. I want to help 1 million. I don't want to get just 100 children into school in India but 300,000," he said during a visit to Hong Kong last week.

In little over three years, the organisation has given entrepreneurial training and business coaching to 262,000 impoverished women in the southern Indian state of Tamil Nadu and facilitated their access to cheap credit. As a result, the women have started 95,000 family businesses and 500 medium-sized enterprises. The target is 1.3 million new jobs by 2010.

The new enterprises cover a wide range of products and services, from looms to laundries to foodstuffs. In addition, Hand in Hand has set up medical camps and health awareness campaigns that reach 250,000 people annually. More than 12,500 children have passed through Hand in Hand's residential schools.

The programme is being replicated in South Africa and Afghanistan, where its self-help model for the poor is being adopted by governments and NGOs with the aim of creating 1.3 and 2.2 million jobs, respectively, within five years.

Now, Mr Barnevik is turning his attention to the mainland and applying his model to help lift the 500 million poorest Chinese out of poverty. He visited Hong Kong last week and sees a possible role for the city in supporting a job creation initiative in one of the mainland's poorest

areas.

Mr Barnevik is no stranger to China, having first visited Beijing on business in 1970. Some years later, he signed "the biggest order of my life" with then premier Li Peng for ABB to supply generators and transmission systems for the Three Gorges hydroelectric scheme.

"China is ahead of India because it started reform 30 years ago. But the need for creative, productive employment for poor people left behind is identical," he said. "In western China tens of millions live in very poor conditions. It is necessary to raise employment levels, create jobs where people earn better money and to limit the migration to the big cities.

"China works hard to stimulate companies to move west, but bringing companies there can't do it all. A hundred million jobs won't easily come out of big business. You also need cottage industries."

London-based Mr Barnevik recently spent a week in northern Yunnan visiting poor villages close to the border with Sichuan to find out what the situation is like on the ground and to meet officials and NGOs.

"Some of these villages without roads are comparable to the worst in India," he said. "The poorest are used to receiving grants. The idea is to help them start enterprises and move higher than the absolute bottom. I focused on the opportunities to start enterprises, the available market and possible products to develop."

Mr Barnevik is adamantly opposed to what he calls "the feeding tap" which can quickly run dry when aid or donations stop flowing. "The idea of help to self-help with loans instead of grants is at times difficult to carry out, but it is the only sustainable way out of poverty," he said, citing the success of Nobel Prize-winning Bangladeshi banker Muhammad Yunus and his Grameen Bank in championing microcredit loans to entrepreneurs too poor to qualify for traditional bank loans.

"The basic idea is to stimulate poor people to stick out their necks, start enterprises, employ other people and grow from there. You need strong local partners. We train them and then they train those who become the entrepreneurs."

Hand in Hand invests heavily in education and capacity building - and allows little scope for any "sitting on hands". Family-based businesses must be up and running on their own almost immediately. Medium-sized companies must survive on their own after an initial period of hand holding. Hand in Hand "citizens' centres", which provide village-level internet connections and other business support facilities, must be owned and run by entrepreneurs as service companies after six to 12 months.

The tough approach replicates the management style that made Mr Barnevik a corporate titan in Europe and a key player in global business. He demands high efficiency, strict targets, tight quality control, low costs (hence no "expensive" western staff), maximum leveraging and, above all, scale.

"The potential for China is, of course, huge. We want to see the beginning of something that can be scaled up to 1 million people and jobs over a certain period of time," he said, adding that the Tamil Nadu experience showed the self-help model could work on a large scale.

"The Chinese have the people and they have money to expand it themselves throughout the province into other provinces."

He said the mainland already had a good system for lending to small enterprises through community co-operatives and agricultural banks, but that donor money from inside the country and elsewhere would be needed to invest in training.

Mr Barnevik donated about US\$17 million of his own cash to get Hand in Hand off the ground. In Hong Kong, he met with heads of potential NGO partners from whose experiences Hand in Hand could learn. He also began meeting potential donors interested in financing a job creation programme on the mainland.

"We have all the reason in the world to believe the successful job creation model can be implemented there with proper co-operation and local partners," he said.

"That's what makes it attractive to me, that you can participate as a catalyst, as a pilot and it can have a big impact since you have well-organised government in China with their own funding to carry on. Like rings on the water."

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