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Interview Percy Barnevik

No nonsense

He says that 'fluffy, unfocused and inefficient' NGOs won't solve world poverty, but his business model can - with a fraction of the aid budget. Now he wants other philanthropists to join his mission, he tells David Brindle

David Brindle

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Percy Barnevik: "I don't want Hand in Hand to be the best NGO. I want it to be the best company." Photograph: Graham Turner

From a basement office in central London, with only a personal assistant for support, a 66-year-old Swede is working towards ending extreme poverty worldwide. By reallocating just 7% of the existing global aid budget, he says, it could be done within 20 years.

You have to take Percy Barnevik seriously: not only has he been a leading international businessman, regularly topping polls as Europe's most respected chief executive, but he is putting into practice what he preaches. His self-help movement in the impoverished southern Indian state of Tamil Nadu is creating 400 enterprises every working day and is on course easily to exceed its target of 1.3m jobs within five years.

Barnevik has extended the approach into South Africa and war-torn Afghanistan, at the invitation of their governments, and is expecting this year to move into other Indian states and possibly Brazil and China - where the regime is proposing a pilot scheme to create 1m jobs in the

southern border province of Yunnan.

Do not call this a master strategy, however. Barnevik has no time for what he dismisses as "big plans" to eliminate global poverty. George Bush, Tony Blair, Gordon Brown, the G8 countries, the UN, even rock grandees Bono and Bob Geldof are all derided for their big ideas. "When I hear about a new plan, it is like starting to watch an old film," he told European business leaders gathered in Helsinki, Finland, last summer. "You know from the start there is no happy ending. The best plan is no plan."

The declaration was typical of his bluntness. Barnevik does not dissemble: much international aid has been "naive and useless"; many non-governmental organisations have been "fluffy, unfocused, inefficient"; various leaders of developing countries are "idiots", "dictators" or "corrupt".

Swashbuckling style

This swashbuckling style served him well for the bulk of his business career. He built ABB, the giant Swiss-Swedish engineering group, but left in controversial circumstances as its fortunes dipped and he repaid half a £60m pension package to avoid a protracted legal wrangle. He firmly denies any wrongdoing and certainly gives no hint that his focus now on philanthropy - he has ploughed £7.5m of his own money into the Indian project - is in any sense an act of contrition.

Indeed, he makes a particular point of stressing how he is applying business practices to poverty relief through the charity he set up five years ago, Hand in Hand International (HHI). "It's 95% as [it is] to run a company," he insists. "I don't want Hand in Hand to be the best NGO. I want it to be the best company."

HHI's approach to job creation is based on micro-credit, arranging loans of start-up capital to groups of 15 or 20 women to enable them to open enterprises such as bakeries, garment factories and brickworks. While this is not especially unusual, Barnevik has stipulated a rigid line that loans must on no account be used for consumption, that they are repaid on time, and are made exclusively to women. Men, he says, cannot be trusted not to drink and gamble the money away.

On one occasion, he recalls, he was persuaded by the Tamil Nadu government, against his better judgment, to make loans to a group of men. "Sure enough, on the first occasion [repayment was due] the men came in and said: 'I have been sick', 'Terrible dry spell in the weather', and so on, and would I defer the repayment? Excuses, excuses, excuses."

For the women, though, the results are typically empowering. "What's fantastic to see is that we can lift these impoverished women, who are 85% illiterate, the most backward castes, and they can rise." Once, he had met three women walking to an evening meeting of their self-help group and had asked where their children were. "They said their husbands were giving them supper and putting them to bed - the first time that had happened in their village in 1,000 years!"

In Tamil Nadu, this enterprise drive is only one part of what HHI calls a five-pillar programme, and Barnevik stresses the importance of the other four elements: adult literacy courses, schooling for children, and

elimination of child labour; medical camps and health campaigns; citizens' centres where low-caste villagers can get information about their rights, register to vote and use a library or IT kiosk; and environmental protection, promoting water management, forestation, and waste and recycling management. Here, too, there is a strong emphasis on self-help: Barnevik is clear, for instance, that villagers must themselves take over paying the teachers in their new schools.

Yet job creation is manifestly the most important strand for Barnevik and is the only one applied in work outside Tamil Nadu, despite the professed interdependence of the five pillars. Asked if the full programme will be engaged when HHI moves into other Indian states with similar social challenges, he replies: "Maybe, maybe not. I don't think so."

It is this kind of comment that worries some in the aid movement. Barnevik himself tells a story of one aid worker - "one of the '68ers, I call them" - who complained that he wanted to help people, not teach them how to be capitalists. More particularly, critics say Barnevik's approach confuses economic development and poverty alleviation and smacks of "bad samaritanism" - a term coined to describe intervention by well-meaning philanthropists who may in the long run do more harm than good.

Although HHI says its micro-credit loans, which typically carry an interest rate of 15%, are relatively cheap for India and drive out loan sharks, aid agencies worry about the undermining of local finance and savings arrangements. They have concerns, too, about the sustainability of the model - "It seems to be 'Goodbye and good luck' once the loan is made," says one aid agency worker - and about its scalability. After all, how many bakeries does a village need?

But Barnevik insists that scaling-up is very much his priority, pointing out that HHI has spawned almost 500 medium-sized businesses in Tamil Nadu, as well as the 100,000-plus family enterprises. "I am not interested in picture-postcard stuff," he says. "I don't want to help 1,000 people, I don't want to help 1 million: I want to help 10 million." And who are the aid agencies to talk, he asks, having presided over "the disaster" that has been the west's record in Africa?

On his calculations, it is costing HHI an average \$150 to create a job. Even doubling that, to be conservative, would mean it would take \$150bn to create 500m jobs to achieve the UN millennium goal of eliminating extreme poverty across the globe. To do that within 20 years, he says, would require reallocating only 7% of aid money already being spent.

Barnevik, who remains a non-executive board member of General Motors and an occasional adviser to several other large corporates and governments, undoubtedly has the ear of world leaders. ("I think Gordon Brown likes this idea of moving from making grants to 'helping to self-help'," he says in passing.) But he is plainly frustrated that warm words are not followed by hard cash.

Somewhat disillusioned with politicians' failure to follow through, he is focusing on spreading HHI's work. Its Indian operation, which employs 1,700 paid staff under the leadership of Kalpana Sankar, a woman with considerable experience of the micro-credit movement, recruits trainers to

go to the other countries where the charity is developing. No westerners are employed and, as a consequence, administration costs are put at no more than 3%.

Super-efficient

Barnevik finds this a highly effective selling point when soliciting support from other donors, which he is confidently doing now that HHI has results to show. And, of course, everything is quantified. "All the way down to the bottom you have targets and follow-up, like in a super-efficient company," he says. "Productivity and quality everywhere."

"Therefore, I get so irritated when I read these big bilateral aid organisations saying it's very difficult to measure. Not at all. It's like hospitals and schools and everything. They say: 'These are people, you can't measure people.' I say: 'Bullshit, you can measure it.'"

hihseed.org

Curriculum Vitae

Age 66.

Status Married, three children, six grandchildren.

Lives London.

Education Uddevalla high school, western Sweden; Gothenburg university, MBA, school of economics; Stanford University, California.

Career 2000-present: adviser, Hand in Hand International; 1999-2004: chairman, AstraZeneca; 1997-2002: chairman, Investor (owner of Wallenberg companies); 1997-2001: chairman, ABB; 1988-96: president and chief executive, ABB; 1980-87: president and chief executive, Asea; 1983-2002: chairman, Sandvik; 1975-79: president, Sandvik USA; 1969-74: manager, Sandvik; 1966-69: manager, Johnson Group, Stockholm.

Awards Changer of the Year 2007 (Sweden); chief executive/chairman of Europe's Most Respected Company 1994/5/6/7; Change Manager of the 90s (Germany).

Interests Philanthropy, travel.

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