

Dr. Percy Barnevik

Good afternoon. I thank you for your reasonably brief introduction, as you didn't infringe on my speaking time too much. However, sometimes that can backfire. Once I was going to introduce Dr. Henry Kissinger, and I got his CV on ten pages before. I said my God, if I read all that it will take up half the speaking time, so I said, You all know Dr. Kissinger; he needs no introduction. But then Henry stood up and said: "It may be that everyone knows me, but that doesn't mean that I don't want to hear my introduction." So it can sometimes backfire.

I will give some remarks on how to eliminate the world extreme poverty through mass-mobilization, entrepreneurship, and job creation. Let me start with a few macro figures. Three billion poor people. One billion, the so-called bottom billion, below one dollar a day. 500 million of working age, most of them unemployed or underemployed. And then you have the aid work in the world: \$110 billion, 2% going to entrepreneurship, microcredit, self-help groups, and that sector, and the other 98% going to other things. My proposition is that 6% of world aid should be reallocated to self-help efforts with microcredits. I have experienced this now for 7 years in south India; you can see here the cost per job [shows slide]: \$50 there, \$150 in South Africa, \$250 a job in Afghanistan. If you look at these 500 million working age impoverished, that means over 20 years, \$6 billion per year. We are also lobbying with the governments to reorient their aid money and particularly four countries where we have good contacts with the very top level in the countries like Great Britain, the United States, the Netherlands, and my old home country, Sweden. Let me remind the Swedes here in the room that months ago I presented a program to them for consideration to put aside 6% over 5 years and create 5 million jobs in 10 specified African countries. Now, you may say – is that enough to create jobs? What about infrastructure, health, education, and all of that? Well, all of that helps but we can't wait for it. Democracy, reduced corruption, infrastructure – if you look at Malawi, it may take 100 years, 150 years, until they get a proper infrastructure, we can't wait for that. It helps but it's not necessary. These villages in South India start 300 enterprises per day. They have 85% illiteracy, poor health, no roads, no electricity, no local water. I can talk about that infrastructure, but they're moving ahead and in the meantime, in parallel, the circumstances are improving. In Afghanistan, I'm proud to say that we're now launching a \$600 million program, the biggest civil program in that country's history. And that is after 2 years of extensive work from my side with the World Bank, Asian Development Bank, USAID, and the Indian Government, to move away from endless road-building to livelihoods. Why should we have all these roads if we can't afford to travel on them? If we don't have any goods to transport on them? In that country there are 8 million unemployed people. Four million of them in refugee camps, 2 million into opium production, 300,000 mujahaddin soldiers roaming around, and the Taliban are gaining territory all the time. They badly need livelihoods and a belief in the future, not more roads, even if that was a long-term proposition.

So what do I base these comments on? Let me briefly tell you that. [Shows slide]. There you see India – and down in the right corner there is Tamil Nadu, 60 million people, where we have been particularly active. This trust has 12,000 people. We have enrolled

that state in our five-pillar program, mobilizing poor families into jobs – 1.3 million jobs is where we will be by 2010. There are about 300,000 children in child labor. We push them through transit schools. Lifting health standards, medical camps and literacy campaigns and so on. We also have citizen shelters, with libraries to help outcast people and also computer literacy covering 20 million villagers. And then environmental projects, water, and waste. Outside Tamil Nadu, the job creation model has raised a lot of attention and interest. We are now in South Africa with 1.3 million people targeted, 2.2 million in Afghanistan, and then we are discussing now with China in Yunnan, Brazil in Bahia, and then there are a couple of other Indian states who are knocking at the door and want us to set up and transplant the model also to those places.

Now, the 5-pillar Village Lifting Program. We see the villages as being in the middle, and then we come from 5 directions to lift the living standard and the work standard, education standard, environment standard in these villages. We come to the school, residential school. I will show a lot of pictures to you now so I ask for your full attention now. If you blink you miss a picture. There you see tribals. There are 80 million tribals in India, black like Africans. Here you see medical camp, a doctor and a nurse. Library. Computer literacy program: 2 million villages are going through the computer literacy program. It's fantastic to see how all this digital divide can become a digital bridge – where in the same village you have ox-carts with big wooden wheels, and then the people sit and surf on the net and search with Google and all that, you know, in the same village. There you see a water projects, dam for rain water, preservation, irrigation, tree plantation. Here is a typical picture of waste. Cows, goats are eating plastic bags, get sick and die. Here we have the green friends who collected, sorted, processed, and recycled – this is inorganic waste. Then you have the earthworms that are good workers; they eat one and a half times their weight every day and they take in waste in the one end and produce compost at the other end. Then you send bags to the farmers and the middle class get colored bags at a higher price.

This is an evil triangle [shows slide]. You have on the right the middleman, who puts up the prices for seed, fertilizer. On the other end you have the middleman who pushes down the prices of the finished product, and in the middle you have these loan sharks who put villages into eternal debt. That becomes translated into a 15 times higher suicide rate there than you find, for example, in the UK. They hang themselves in desperation. Here you organize instead cooperatives to buy cheaper, to send direct to the consumer, bypassing middle man, and then you replace all the loans with our bank loans at 20%. Here are, for example, 300 women cultivating salad, and there we have a contract with Food World which is a supermarket chain with 37 supermarkets, where there are women who come in 5 o'clock in the morning on their 3-wheelers to deliver the salad at 50% higher price. That's a typical self-help group. One of them has to be able to read and write, and then we train 75,000 women per year into reading, writing. Typical small things: looms, sewing machines, bakery, milk cows, etc. Different services: barber shops, you have motorcycle shops, you are trading things. 85,000 enterprises have been started, and these are the people at the very rock bottom of society. The women are poor. They are dirt poor, they are illiterate, they are outcasts. Some small things – one or two people, luggage, sculpture, pottery, to try to build what they're good at. Weaving,

sewing. Bigger enterprises like dairies, brick manufacturing, floriculture, paper cup making and these type of things; you have 80 people who export orchids around the world. Bakeries, paper cup making. Now, this dramatic change in the villages doesn't happen without any assistance and, as always, opposition comes from established power. The old high-caste men, normally Brahmins, get crazy when they see these women coming up, not only for economic development, but becoming mayors in the villages. We had recently 37 new mayors coming in who are untouchables or women. Landowners lose cheap labor. Day labor, coolies as I call them. Local vendors, of course, they disappear. Middlemen get cut out. The weaving shops lose their child labor; that caused big trouble at the beginning because they fought against it so we had to buy out the children and pay full price for each child because they were bonded. Then we paid half the price but then I said [to the government] if you don't act on these corrupt police, judges, I won't create help for you down here. So they intervened eventually and then we paid nothing. And that had an interesting consequence within the whole child market. It dried up. The world no longer wanted to buy children anymore, because we came and took them.

Husbands are sometimes jealous when they lose their power, but at the same time some husbands get employed in these family companies, and the whole family get a better living standard, can afford to send their children to school, can afford to buy some drugs for health, can repair the roof and a lot of positive things. Politicians were a little nervous at the beginning and wondered what the hell would we do with these hundreds of thousands of women. Would we organize them for a certain party? We can all see what is my second agenda here! I won't become an Indian politician. I told them for God's sake, I'm a Swedish citizen living in London. Why do you think I would be interested in being a politician? And then they suspected I was bought by the Congress Party and have money in Switzerland for having the women vote in a certain way. But now they've understood there is nothing strange about it.

So to sum up this particular program: one of the 5 pillars, 252,000 women were in October organized and comprehensively trained. That's not only reading or writing; they get entrepreneurial training with 800 consultants who help them and coach them and therefore the repayment ratio for these companies on the loans is 99.6%, effectively 100%. And for the medium-size enterprises, the repayment rate is 90%, which is not bad if you look at a whole at entrepreneurship in the world. They have now about 6000 enterprises today, as I mentioned, and the 3-year target is 1.3 million jobs and 250,000 enterprises in Tamil Nadu. The same target as we have in South Africa; and for this South African gentleman who speaks after me here, I can tell you that the program in South Africa, I just come from Johannesburg this morning, is going very well and they have invested \$200 million in training, in reduced interest for some risky bigger enterprises, and they expect to have \$2 billion per year in a five-year period. You invest 200 million one time, to get 2 billion: how can it be such a fantastic payback? Well, these people, 80% unemployed, are a burden on society, they are fed by government. Now they start to get into productive work, even paying taxes, some of them, and that means an enormously profitable proposition. Not just for South Africa, or Afghanistan, or South India, but for Kenya, Uganda, and all these other places. It is sustainable; we

don't feed people. They are their own responsibility. They'll borrow money. I had trouble in South Africa because I refused to be given stuff by the government. No, they are to borrow, stick out their neck and repay it, which is a change in mentality that was different from India. You learn in these different countries but basically this is a fast, sustainable, and efficient way to lift poor people out of their deprivation and I think this, tried on a global basis could be an excellent way of eliminating this extreme poverty. Thank you.