

How to Eliminate Extreme Poverty Globally in Just 10 Years



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Empowering the poor (particularly women) to become entrepreneurs, coupled with teaching entrepreneurship in schools, could lift the “bottom billion” out of poverty in 10 years.

Practically all problems in the developing world are caused by extreme poverty: terrorism, local wars, poor health, child labor, strains on the environment and more.

Why then are so many people so poor, including the 1.3 billion who live in extreme poverty on incomes of less than \$1.25 a day? The main reason is unemployment and underemployment levels of 50 percent in many of the world's poorest countries. Globally, one in two women lacks access to paid employment. The jobs that the poor need simply do not exist.

Lifting the “bottom billion” out of poverty would require around 260 million jobs, but where would they come from?

Perhaps 3 percent to 5 percent could be generated by the public sector, but most developing countries are already heavily indebted. Large-scale manufacturing and services could perhaps provide 10 percent to 15 percent of the jobs needed. However, because of increased automation, the number of new jobs that can be created from this source is limited.

Despite huge economic growth in Africa over the past few years, less than 10 percent of employed Africans work in private, non-agricultural businesses. For example, an automotive plant commissioned to manufacture 250,000 small cars may provide 3,000 to 4,000 jobs straight

200 million jobs costs roughly \$40 billion

Over 10 years this would mean just \$4 billion per year



1.3 billion live in extreme poverty on an income of less than \$1.25 per day

away. Subsupplier and related services add to that number, but not by much.

The vast majority of jobs, around 80 percent, must come from small and medium-sized companies and family enterprises. This means that around 200 million jobs must come from this sector.

Can that be done in 10 years? The answer is yes.

The cost of training people to start and run an enterprise, and create jobs for themselves and others, varies between \$20 and \$350 per job, depending on the environment. For example, in my experience, the cost in Southern India is \$20; in East Africa it is \$50 to \$100; and in Afghanistan it is \$350. According to the Institute for the Study of Labor, other programs spend \$21 to \$400 per person on training alone.

A cautious global average then is \$200 per job. So the cost of

Current development assistance already at \$135 billion per year



50% unemployment and underemployment levels exist in many of the world's poorest countries

creating 200 million jobs amounts to \$40 billion. Spread over a 10-year period, this adds up to just \$4 billion per year. Currently, official development assistance alone is around \$135 billion a year, so we need to invest only 3 percent of current annual expenditures to enable people to create the jobs needed to enable people to work their own way out of poverty.

I do not base these numbers on theory. They are based on my own practical experience in Asia and Africa where Hand in Hand, the NGO I co-founded with Kalpana Sankar, has succeeded in creating and expanding 1.7 million small enterprises in 15 years by training the poor to help themselves.

Hand in Hand relies on a four-step process. First, we create Self-Help Groups who save and learn together. Contributions to group savings funds are required from all 20 or so members at every weekly

meeting. Once a group is stable, we train members to find and develop small businesses and teach them basic bookkeeping, business development, marketing and related subjects.

Most businesses are financed from group savings, but when more is needed, we train members in credit management and provide access to microloans. Finally, we help established Hand in Hand entrepreneurs find larger markets, source cheaper supplies, improve their branding, packaging and more.

But we shouldn't wait for adulthood to teach people entrepreneurial skills. Children can and should be taught at school. This way, when a student graduates, he or she can either apply for a job or start an enterprise. In many countries with advanced education systems, such as Egypt and South Africa, more than 50 percent of graduates enter into permanent unemployment because schools do not promote entrepreneurship as a viable or desirable option. We have seen in recent years how these unemployed youths can become susceptible to criminality and, even worse, terrorism.

In summary, mass-mobilizing the poor (particularly women) to become entrepreneurs, coupled with teaching entrepreneurship in schools, could lift the bottom billion out of poverty in 10 years. The annual cost, mainly for training, amounts to around 3 percent of the official development assistance budget.

Microenterprises like those developed through Hand in Hand can provide millions of people with employment, enabling them to work their own way out of poverty.