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Chapter 1

# Foreword

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The year 2006 ought to go down in history as a key date, a turning point in the transformation of cooperation for development and social action. The revolution began brewing since the 1980s, built up steam in the '90s and materialized in the opening decade of this century. And then in 2006, three symbolic events marked the definitive start of a new era: the metamorphosis of Bill Gates from entrepreneur into philanthropist, the awarding of the Nobel Prize to Muhammad Yunus, and the publication of *The Fortune at the Bottom of the Pyramid* by C.K. Prahalad.

Gates' decision consolidated the professionalization process taking place in foundation management and philanthropy. The recognition of Yunus gave legitimacy not only to microfinance, but also to the very concept of the social entrepreneur. Meanwhile, the book by Prahalad brought a radical change to the conception of social responsibility for companies.

In June 2006, Bill Gates, one of the world's richest men, announced his intention to step down as chairman of Microsoft in order to devote himself completely to philanthropy projects through his foundation, which already had over 30 billion dollars in assets. Soon after Gates' decision became known, his friend and fellow billionaire Warren Buffett announced his intention to double the holdings of the Gates Foundation with a gift of another 30 billion dollars in shares of his company Berkshire Hathaway.

In 2006, the Gates Foundation disbursed nearly \$1.9 billion toward international development aid, healthcare and improving secondary education in the United States (the official aid budget of Spain in 2006 totaled just over 3.2 billion euros). Since then, the contributions have progressively increased, surpassing the \$3 billion mark this year.

The Gates Foundation is transforming the world of philanthropy, and not simply for the size of its contributions, but thanks to its analysis, decision-making and results-evaluation processes. Gates did not hesitate to draw a parallel between his roles at Microsoft and the Foundation: both organizations seek innovative solutions, both require a variety of multidisciplinary teams, both need top-notch human talent and both take a strategic, result-based approach. That professional, analytical, strategic, result-based approach is one of the key aspects of the new philanthropy.

In October 2006, the Norwegian Nobel Committee announced the awarding of the Nobel Peace Prize to Muhammad Yunus for his efforts to "create economic and social development from below." Yunus' award was a historic recognition for an entire class of modern social activists that are now known as "social entrepreneurs" for their ability to apply business mechanisms to solving complex social problems "from below."

Social entrepreneurs create innovative, economically self-sustainable solutions to complex social and environmental problems by founding new companies to provide

products and services that are not available in the market. As with any successful entrepreneur, social entrepreneurs are clever, pragmatic opportunists. However, they do not consider economic profit to be an end, but rather a means of generating resources to serve a particular social cause, such as: poverty reduction, improvements in health or education, social justice and equal opportunity.

The Yunus success story consisted of creating the first major microbank, Grameen, in Bangladesh. Grameen is a financial institution that furnishes loans and other financial services to millions of marginalized people, with the aim of helping them rise out of poverty by their own means. The example of Grameen has inspired hundreds of similar organizations in other parts of the world. In 2007, one of them, Compartamos Banco, took the concept of social enterprise even further by becoming listed in the Mexican stock market (despite lacking the approval of Yunus). The success of Grameen, Compartamos and hundreds of other social enterprises has proven that the ground rules for the company and the market can also serve economic and social development.

The idea that poverty and other social injustices and market failures can be eradicated precisely through business and market solutions is the central argument of the Prahalad bestseller. According to the book, large firms should not view poverty as a problem, but rather as an opportunity; they should not view the poor as poor people, but rather as potential customers. By doing so, says the author, not only will they be able to create new sources of revenue, but also help combat poverty through the creation and distribution of new sources of wealth.

The so-called "bottom of the pyramid models" offer a conceptual framework for action that differs greatly from the traditional models of corporate social responsibility, which associate corporate philanthropy with reputation instead of core processes of innovation and business development.

These three cases (Gates, Yunus and Prahalad) are symbolic of the new era of social action and highlight the keys to the new models of economic development, which some refer to as "Global Development 2.0": viewing the common market as a solution (not only as a problem), making decisions based on analysis and science (not only on personal passion), seeking decentralized solutions from the bottom up (not only centralized and from the top down), having confidence in the project and personal inventiveness when seeking solutions (as opposed to major policies and institutional decisions), and perceiving the enterprise as an essential tool for development (not as an outside, potentially detrimental agent).

This new publication from the Future Trends Forum – Bankinter Foundation of Innovation presents an overview of these trends, which open a window of hope into the future.

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