Editorial

THIS EDITION completes the 20th year of our journal. For a journal to reach the age of 20 is no mean achievement, and we are celebrating the event by standing back and taking the long view. We have invited some well-known figures as well as some new entrants to trumpet what they consider to be the greatest achievements of microfinance and enterprise development in the last 10 years – or else to send up a warning about developments in the next 10. Contributions of less than 1000 words were entered into our 20th anniversary writing competition.

Taking the long view is particularly appropriate after the financial shocks of the last 18 months. Given that the crisis was precipitated by unbridled lending in the poorer end of the US mortgage market, should we fear the fact that over the last 10 years commercial investors have been piling into microfinance lending? If MFIs fail, and these investments go bad, will commercial lending turn away from microfinance and small enterprises as it has from perceived riskier markets in the West? Chuck Waterfield and Larry Reed win the competition by alerting us to these dangers and suggesting ways to avoid them by developing ethical codes and greater transparency in the sector.

Ten years ago we could scarcely have foreseen the many new types of entity providing microfinance today. Both mobile phone providers and banks operating through retailers have managed to acquire millions of customers for their financial services in a time that leaves more conventional microfinance providers breathless. Beth Rhyne describes the genesis of one unexpected provider in Mexico, and Teresa Maru urges microfinance institutions in Africa to watch and learn from these new operators. Robert Annibale describes the new business partners operating in Colombia and Mexico who are extending Citibank's outreach. In their article Bob Christen and Ignacio Mas predict that in 10 years' time retail outlets will be providing large-scale accessible savings services. But many of these newer operators have neither the motivation nor the ability to reach the poorest customers, and it is up to the microfinance community to keep asking in the years to come: are the poorest being left out? And are service charges fair for this market?

Susan Johnson puts these changes into perspective. The growth of commercial interest in this sector is part of the financial systems approach promoted by the World Bank and others in the 1990s. The emphasis was on institutions: once MFIs can be developed to operate efficiently and profitability then they will attract commercial funding

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and achieve scale. However, in the process of achieving profitability, many of the most successful MFIs have concentrated on urban, not-so-poor customers, and have quietly ignored the poorest hard-to-reach customers.

An awareness that this is happening has sparked off new interest and research into reaching the poorest. Two editions of our journal this year deal with this theme; Lawson et al.'s forthcoming book *What Works for the Poorest* analyses innovative methods; and *Portfolios of the Poor*, reviewed in this edition, examines what the poorest already do with their money.

In the enterprise development field, the difficulties of including the poorest seem equally profound. Articles by Linda Jones and Aly Miehlbradt, as well as William Steel look back at changes in fashion in enterprise development. One reason why business development services are scarcely mentioned any more is that these commercial services are seen as too expensive and irrelevant by poorer customers – only larger businesses can afford them. Advances in globalization in the past 10 years mean that wealthier producers in developing countries can reach and benefit from export markets, but microenterprises are left behind.

One can make too much of the dichotomy between serving the not-so-poor and the poorest, however. The next 10 years is a time for forming alliances, not taking sides. In the enterprise development field there is scope for 'lead firms' to organize the production of microenterprises and include them in value chains. As banks and MFIs extend their infrastructure to reach the not-so-poor there are opportunities to piggyback on these services those designed to reach the poorest – BRAC is doing this, so are others. 'Graduation' is a term I hope we'll hear more often, because poor clients leaving behind services designed for the poorest and moving on to commercial services is one sign of success. Malcolm Harper advocates for greater diversity: different service levels for an individual to move between and a greater array of services for different individuals. For men and women, small businesses and survivalist microenterprises, what I hope will be on offer in 10 years' time is less a soup kitchen and more a *smorgasbord*.

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Editor