Your Excellencies, ladies and gentlemen, I am honoured to speak to you today as the UN Secretary-General’s Special Advocate for Inclusive Finance for Development.

Being a Special Advocate means giving 'the unbanked' and 'the underbanked' a voice. It is crucial for that voice to be heard, as I believe that access to formal financial services is essential for development.

By financial services we do not speak only about credits but about a whole array of financial products. It is crucial that we combine these products with the provision of housing, energy, health care, food security, education, and so on. Insurance, for example, can help people gain access to health care. This not only improves their health, but also saves time and money - time that can be used to generate income, go to school and pursue other goals in life.

Because, ladies and gentlemen, financial services is not an end in itself, but it helps us to the end, that is the goods we can buy with them.

A recent study by the Financial Access Initiative shows that nearly half the world's population is still unbanked. So the road ahead is long, the climb is steep. But I'm confident that we can achieve the goal of greater financial inclusion in the years to come.

Let me recall the definition of financial inclusion. It means, universal access, at a reasonable cost, to a wide range of financial services, provided by a variety of sound and sustainable institutions. Not only for individuals but also for small and medium-sized enterprises that are often the engines of growth in local and national economies.

This agenda is obviously much broader than microcredit alone. It also includes savings, insurance, payment services, pension plans, remittance facilities and all other services that can help people generate income, build assets, manage cash flow, invest in opportunities and protect themselves from unexpected setbacks. In the case of gender issues, this is of particular importance for women. It is, in short, promoting development.

Some people may wonder what use financial services are to the very poor. They don't have much money anyway, do they? But in fact, lower and above all irregular incomes, require more rather than less active financial management, as Jonathan Morduch and his co-authors show in their book Portfolios of the Poor. Money earned by the poor, they explain, too often arrives at the wrong time, can be hard to hold onto, and is difficult to build into something larger through borrowing and saving. I quote: 'This is the fundamental tragedy of poverty as seen through a financial lens: the triple whammy of incomes that are both low and uncertain, within contexts where the financial opportunities to leverage and smooth income to fit expenditure are extremely limited.'

This is why banking the unbanked is so important.

Inclusive finance is not only important for meeting individual needs. It is also important for the economy as a whole. Research shows that financial development raises the incomes of the poor faster than average, resulting in lower income inequality.

Other research highlights the vicious circle of shadow economies, weak states, organised crime and poverty. With a large shadow economy, state revenues diminish, and this in turn reduces the quality and quantity of public goods, including the justice system. Poor law enforcement presents more opportunities for criminal organisations, which re-invest most of their profits in the shadow economy. This of course further undermines a state's ability to raise revenues in order to reduce poverty.
Banking the unbanked and the underbanked could help break this vicious circle that keeps many developing countries poor. Unfortunately, for poor people the informal sector has proved to be the best provider of flexible and accessible financial tools. I agree with those who say that the challenge for the formal sector - the challenge for us - is to provide people with financial services that are just as flexible and convenient as in the informal sector, but at the same time more reliable and more liquid.

As Special Advocate, I seek best practices and policies in inclusive finance. In my opinion it is crucial to acknowledge the importance of mixing private and public money to achieve a multiplier effect.

As a Dutch citizen, I can’t help being a little biased. So let me tell you about a great example of public-private partnership in the Netherlands. The Dutch development bank FMO holds a 400 million dollar government financed fund called ‘Massif’, which is active in 50 countries worldwide. Its clients are local financial institutions that have limited or no access to finance of any kind, let alone local currency financing. Massif offers local financial intermediaries long-term debt and equity financing in local currency. But what is most remarkable is that Massif bears the currency risk. This kind of risk is too high for development banks or commercial banks alone. It can only be borne together with the public sector.

The local institutions served by the Massif fund in turn serve the SMEs and lower income households. Today, Massif has around 120 clients who offer a wide range of financial services - relating to savings, cash flow, credit, guarantees, mortgages, leasing and insurance etc. - to millions of people in all of those 50 countries. And, most importantly, the fund operates in a sustainable manner: it has remained stable for years and has even managed to make some profits along the way.

In my view, this type of public-private, risk-sharing mechanism deserves to be imitated. In doing so, let us also not forget that the countries themselves have come up with innovative solutions to various problems they face and that peer-to-peer exchange becomes more relevant than ever.

Your Excellencies, ladies and gentlemen, I should like to conclude with a few words about microfinance and SME finance. Sadly, SME finance is not yet on everyone’s radar, even though SMEs are responsible for 70% of all jobs in OECD countries.

I believe that finding common ground between microfinance and SME finance is a priority. Microfinance and SME finance are subject to the same macroeconomic factors, interest rate levels, exchange rate fluctuations and regulatory obstacles. And perhaps more importantly, from the entrepreneur’s point of view the line between microfinance and SME finance is blurred.

Last month I attended the SME Finance DFI Working Group Meeting in Frankfurt. There I mentioned the fact that there is currently no such thing as a global SME association with expertise on policy issues relevant to small and medium-sized enterprises.

We have such bodies for microfinance, but none for SMEs. I hope that will change in the near future. Because if we want the sector to grow, we need to work together to identify best practices and define the responsibilities of all the actors in the field of inclusive finance.

Microfinance and SME finance are parts of a larger whole, the financial infrastructure, and not two separate entities existing side by side. Once we acknowledge that, a new dawn for inclusive finance will indeed have broken.

Thank you.