Thank you KfW for organizing this meeting and thank you Peer Stein and your people for your kind invitation to speak to you here this morning.

Maybe some wonder what a Princess is doing here, speaking at an SME finance forum? Well it happens that UN Secretary-General Ban Ki-moon designated me last September as his Special Advocate for Inclusive Finance for Development. This was after some years of participating in different UN fora on this subject, including the 2005 Year of Microcredit.

When I talk about my work as UN Special Advocate, I always find it useful to start by defining Financial Inclusion. Not as a limiting factor, but more as a guiding concept. Financial Inclusion means universal access, at a reasonable cost, to a range of financial services, provided by a variety of sound and sustainable institutions.

The issue of financial access is generally associated with bancarization or microfinance. Its goal is not only to give people services they need and want, but also to help people lift themselves out of poverty, create employment and contribute to their general wellbeing.

I have found that in the discussions on financial inclusion, it tends to be either microfinance - meaning financing the informal microentrepreneur and basically giving this individual financial services beyond credit - or SME finance - meaning financing enterprises that are formal and have a certain size between the micro and the large companies.

And this is the reason why I am here today, to make a strong plea on finding a common language between these two areas of finance and talk about Financial Inclusion in general, which includes both microfinance and SME finance. We should avoid coexisting silos, where one does not communicate.

Why do I think this is important? First of all, I have found that the obstacles in the growth of these activities are very similar.

We are subject to the same macroeconomic factors, level of interest rates in a given country, stability of foreign exchange rates, etc. We are challenged by regulatory obstacles, like interest rates caps to just mention one, and complicated requirements to achieve formalization, impeding our clients access to growth. And what about the need for effective credit bureaus or efficient payment systems? And what about weak legal frameworks in general, etc.

And then, looking at the side of the entrepreneur. Not every entrepreneur starts by being a middle sized company. A big chunk starts by being micro, and certainly informal. So we cannot tell this successful man or woman... “now that you have 10 employees, we can no longer finance you”. Quite the contrary, we have to help such entrepreneurs to grow and, very important, to go through the formalization process. And by creating silos of finance, we will not be effective in helping them grow.

We have to understand therefore that this border in the pyramid between the microentrepreneur and the small companies, will be very blurry. Some of the small enterprises will be served by MFIs through upscaling. Some will be served by commercial banks and they will be downscaling.

Also, let us think about value chain financing. SMEs need supplies. How do you finance individual suppliers of SMEs that are micro? SMEs need people to sell their products to. So how do you finance retailers of SMEs that are micro as well?

And then there is the data collection issue. I think we have all been working hard to get reliable data so that we
can have further insight into the problem, access issues versus supply issues. What is the impact, effect of policies? I am sure there is a lot we can do together in this respect as well.

Peer Stein just mentioned that we do not know how many SMEs there are, also due to a lack of a clear definition. I am very happy to read in all the SME papers that most of the figures come from Asli Demirgüç-Kunt and Thorsten Beck - the very same people who provide data on access to financial services. We should therefore have a common understanding and vision.

So far, on financial access, we have received a lot of help from the IMF, WB, CGAP and now the Gates Foundation, and I am sure we can include the SME dimension as well.

So I think there is a lot we can do together. I am therefore happy to be here to listen, learn from you about SME financing and see how we can strengthen each other.
I was in Russia a couple of months ago talking to the Ministry of Finance on Financial Inclusion policies. A key question put to me was: “What is the best way to foster SME development? Should we subsidize?”. I was not the right person to be asked that question, but I of course took this matter seriously and started doing some research. I discovered that there is no such thing as a Global SME association that has knowledge on these policy issues. We do have such fora for microfinance, but there is no such forum for SMEs yet.

Therefore, I find this a very exciting and promising forum to exchange best practices, to share knowledge and realize what we are missing. I wish you a lot of success. It is a great pleasure to be here today.

Thank you very much for your attention.