Baroness Blackstone, Mr. Ambassador, Ladies and Gentlemen, imagine yourself walking down a street in a rural town somewhere say, in Africa. You pass a number of flourishing microenterprises offering a range of services - restaurant, tailoring, grocery, bike repairs. You then see a neatly-lettered sign featuring a small tropical oils production facility for an export business that employs thirteen people. You walk past a farmer on a cell phone, and later learn that he is trying to find the best price for his peanut harvest. What is it, you ask yourself, that is going on here? What is making this place thrive?

Ladies and gentlemen, in this town in rural Africa, people are connected. They are connected with financial services.

Many of you have seen the successful combination of financial services and effective partnerships that can make this happen. A number of you are studying this phenomenon-you are trying to figure out what it is that makes it work-what is the alchemy that can bring these kind of powerful results. Let's begin by deconstructing what is needed to run a business - any business, from a simple microenterprise to any bigger firm. First you need the idea. What are you going to sell and to whom, where are you going to sell it and at what price, and how are you going to make or obtain what you need to sell?

Next you need to have the financing to move it forward-the initial investment, also the working capital to keep it going. Then you need to have the partnerships to make it happen - who is going to supply you with the product and the packaging, and who is going to bundle it with other products to reach additional buyers?

Financial services is a critical component of any business. It can come in a number of different forms such as savings or loans or equipment leases. Or crop insurance or transport insurance or supplier credit. What we must remember, though, is that one size does not fit all. Diverse businesses need different types of financing. They also need different types of financing at various times in their growth. And each business may, in fact, need several different types of financial services at the same time.

You see, we can no longer talk about just microcredit, for that alone is not enough. Many of us have already been talking for some time about microfinance, which is broader than microcredit. But I would like us to go even further and that is, financial inclusion.

What is financial inclusion, you may ask. Financial inclusion is universal access, at a reasonable cost, to a wide range of financial services for everyone needing them, provided by a diversity of sound and sustainable institutions. Financial inclusion is distinguishable from microcredit in that it recognizes that people and businesses require a range of financial services in addition to credit-savings, payment services, remittances, insurance, to name just a few. Financial inclusion also implies the provision of services by diverse institutional types, recognizing that some institutions in some places may be better able to provide the types of services needed to different clients.

These institutions must be able to provide these services on a sustainable basis, that is, they must be able to cover their costs. And financial inclusion means that people must be able to access these services over time, as their business evolves and grows and transforms, from being a microenterprise to a SME. Finally, these services must be provided in a way that is transparent, can benefit clients and in which clients are protected from abuses. It is about providing clients what they need and can afford that will result in positive outcomes for both the clients and the institutions providing the financial services in the long run. It is therefore a win-win situation.

Although there have been significant strides in extending financial inclusion to the previously un- or underbanked, there is still a long way to go. An estimated 2.7 billion people still do not have access to financial services.
In recent years, the greatest areas of growth in financial inclusion have come through innovations - innovations in institutional arrangements and innovations related to technological advances-and often a combination of those two. Increasingly there are new and often unexpected players in the field of financial services. The most exciting aspect about these partnerships is its potential not just to reach large numbers in an affordable manner, but to reach them in areas in which banks traditionally have not been able to go. Most notably, we have seen mobile phone companies partner with banks to reach many more clients than they could otherwise.

Perhaps the most well-known example of this is M-Kesho in Kenya, where Safaricom and Equity Bank have come together to offer more than nine million clients money transfer and saving services. These services started initially with a partnership between DFID and Vodafone, and that is also a good example of successful partnerships. In the Philippines, two different approaches have emerged. The bank-based Smart Money service is led by mobile network operator SMART while the non-bank based G-Cash service is led by mobile network operator Globe Telecom. These partnerships allow each partner to focus on their comparative advantage, while combining to offer more than either one of them could on its own.

Partnerships can be built on relationships established between two or more major entities, or they can be built by creating a series of partnerships, agent by agent. In Brazil for example, the outreach is exponential, with some nearly hundred institutions managing over one hundred thousand points of sale, serving well over ten million accounts. This would not be possible without partnerships, built up through a series of agreements with agents that extend the reach far beyond what any one bank-or even many of them-could do directly.

In order to allow all of this to happen, government has a critical role to play in establishing an enabling environment that promotes financial inclusion and maintains financial soundness and stability.

Governments in Kenya, Brazil, the Philippines, Pakistan, Colombia, South Africa, amongst others, have successfully pursued such approaches. So a lot can be achieved from south-south learning.

Also financial services combined with non-financial services can have other multiplier effects. These partnerships can be inter-governmental, between government and private sector, or amongst different private sector players. For example, in developing appropriate agricultural and rural development strategies, the Ministry of Agriculture might want to engage with banks. This could promote the development of additional products tailored for rural clients, and help refine their strategies to take advantage of financing opportunities for their constituents.

These relationships between financial and non-financial services can be particularly important to addressing health, education, shelter, water and sanitation, environmental and other challenges beyond finance that poor and low-income people face every day. Why, because at the end of the day, financial services are just a means to an end and not an end in itself. It is what we facilitate with them. There are many examples and pilots of financial schemes used to improve the access to water, education, health, food and shelter, and thereby contribute to a number of positive developmental outcomes.

But we need to do more, we need to learn from these pilots, see what the scalability of these are so that we can replicate it in big numbers in a sustainable way.

Ladies and gentlemen, I am a strong believer in the power of financial inclusion. When provided properly, these can help people grow their businesses, shield themselves against unforeseen shocks and make better lives. But we also have to acknowledge that there is no silver bullet, and that the provision of financial services will not, in and of itself, solve the poverty problem. But by using financial services as a tool to address other needs, we can help make that happen. Partnerships can help broaden and deepen the benefits of financial inclusion. Everywhere I go, I try to bring together people and institutions who do not typically work together. I bring them together to talk and learn from each other, to find common ground, and to identify potential synergies of working together. Partnerships are not always easy, but their potential is so great that we should not shy away from the challenge.

In closing, I want to thank the University of Greenwich and all the organizers for inviting me and all of us here to
examine this important issue of partnerships in financial inclusion. I hope that through these two days, and in the
days and months to come, we will learn from each other and try to forge the types of partnerships that will change
people's lives.

Thank you.