Good evening, Ladies and Gentlemen.

Being at the Rijksmuseum is always a treat. It is an inspiration, too. The paintings here vividly tell us about Dutch history. Many were painted during periods of significant growth, innovation and prosperity in the Dutch Golden Age. This prosperity also enabled the development of our monetary and financial systems. Innovations included the first multinational company, the V.O.C., as well as the first equity investments in limited liability created companies (vennootschap). These and other innovations allowed continued investments domestically, in the Far East and beyond.

Fundamentally, development and growth is not so different today. Participation in the formal financial system is an important enabler of well-being and expanding opportunities. Basic financial services help people 1) pay for goods and services efficiently, 2) save for investments and 3) mitigate the impact of unexpected events. As importantly, financial services help micro, small and medium enterprises to grow, create jobs and contribute to vibrant economies.

However, 2.5 billion adults in the world are excluded from these benefits of the formal financial system. And about 200 million SMEs lack adequate financing in emerging markets. With financial inclusion we are trying to change this.

One recent financial innovation was microcredit. Microcredit created the ability to give small loans to people in order to help them generate income. It did help a bit with access. But this was not enough. People and entrepreneurs needed other financial services too, especially savings.

What now is making a difference, compared to ten years ago, are digital enabled business models. As you know, it is very expensive to set up brick and mortar banks. So banks will not find it attractive to operate in very poor communities, especially in rural areas where 70% of the world's poor live. But we are changing that with mobile phone banking. This innovation uses mobile phones and the thousands of existing kiosks and stores that sell airtime and other related services. For example, when a day-laborer gets paid, he takes this cash to the corner store. The store sends the client's phone a credit by text message. The client can hold the amount, pay a bill or send money home, all by text message. His mother does the process in reverse by getting the cash from her village kiosk. By using existing infrastructure, mobile money drastically lowers costs - even sending one dollar is sustainable. And this of course, enables access.

To give you an idea how this is changing the situation, in 2006, only one fourth of Kenyans had access to some type of financial service. Now, 86% of Kenyan households have access to the payment and other basic financial services of M-Pesa, the popular mobile money service in Kenya.

More and more countries have similar offerings. This creates huge potential to reach formerly unreachable populations with more affordable financial services. Especially considering that nearly 2 billion people have a mobile phone, but not a bank account.

The benefits of financial inclusion are so many. For individuals, financial inclusion reduces the time used collecting or sending cash. That is not unimportant. In Tanzania, a teacher in the rural areas, can be sometimes two weeks out of school just to get her monthly payment because the bank branch is so far away. Imagine two weeks of no class and expenditures in buses and other risks. Also extremely important, financial inclusion gives people the opportunity to save for life's big events, and to insure themselves against illnesses or droughts.

Financial inclusion facilitates income generating activities and businesses too. A couple years ago, I visited a
neighborhood of small workshops in Old Cairo. Every Saturday, the owners go around collecting on bills so they can pay salaries in the afternoon. And of course, these entrepreneurs also need better, cheaper and longer-term credit for their business, as well as insurance. What is also positive is that mobile money makes simple financial transactions cheaper. In turn, this also makes the cost of a loan and other financial services cheaper.

At the macroeconomic level, mobile and agent banking introduces huge cost reductions and efficiency gains. Just to give you an idea, the Government of Nigeria spends one billion dollars a year to print, distribute and manage cash. And of course, like we saw in the Netherlands of the seventeenth century, good financial innovations increase available capital for businesses and make a country prosper.

Digital-based financial services not only facilitates access. It also fosters greater transparency through real-time transactions and knowledge. This is a benefit to financial institutions, regulators and supervisors. It can also help clients manage their finances and goals better. For example, one company is preparing a product that will make it possible for taxi drivers, street merchants and vendors in Mexico to accept a credit card payment through a small disc attached to a mobile phone. The disc company will also send reports on transactions - helping the vendor understand his business and maybe even improve it, as well as build a history for credit applications. I think this will be an excellent service.

The opportunity of digital is what more can be achieved through product design, marketing and delivery, customer support and—very importantly—consumer protection. By this I mean that once we have access, we have to look at the relevance and adequacy of the financial product.

Whether they use digital technology or coins, financial services must be tailored to client needs and their context. The right financial product for the owner of a metal workshop in Cairo is different than for farmers in Africa. That might seem obvious, but it is not. During my last visit to Brazil, I spoke to a CEO who launched a house insurance product for the favelas. It was cheap, simple and very needed, as mudslides are common when it rains heavily. But it did not sell. He then realized that different family members built and owned their own rooms within the same plot of land. So he changed the standard policy to recognize this ownership and allow separate payments to the one policy. Since then, it has been very successful.

By relevance and adequacy, I also mean how financial services can advance urgent development goals, whether saving for education or helping a farmer use water more efficiently. Digital technology can help with so much of this. For example, one product allows African women to purchase water from an electric well through their mobile phone, saving hours of walking while covering the cost of the pump maintenance. So ladies and gentlemen, it is not about the digitization, but how we use it. It is like financial services, a means to an end and not an end in itself.

Momentum is growing rapidly for financial inclusion. Mobile money and agent banking have proven we can increase access. Now we of course need to expand access even more. But most of all, we need to improve relevance and adequacy of products. For this, I have found that coordination across sectors is essential. For example, financial services and telecommunications industries. Or finance institutions with seed and fertilizer companies. Or stores that distribute social welfare benefits for government. I realize that this cross-sector nature of financial inclusion can pose a challenge for policy makers and regulators, and also providers. Some of them may have never dreamt of working together before. But you know what? People don't live in sectors. So why should we give them services that are divided in sectors. So, as we continue to advance financial inclusion and sustainable development, partnership, with a sharp focus on clients, will be key.

Thank you.

1. Per Financial Services Deepening Trust, Kenya. This 26.4% in 2006 access includes access to semi-formal services such as M-Pesa, SACCOs and MFI. In 2009 the rate had increased to 40.5%. More recent data is not yet published.