
Preface

KLAUS SCHWAB, Executive Chairman, World Economic Forum

Since 2008, the year that the *Financial Development Report* first launched, financial systems around the world have been hit with a series of debilitating crises. From burst housing bubbles and crippling unemployment to unsustainable debt levels and economic stagnation, few countries have been spared. Even emerging economies, which exhibited relative strength during this period, have been unable to decouple successfully from Western markets. The fifth edition of the *Financial Development Report* comes at a time when recovery efforts around the world have stalled and confidence in the system continues to deteriorate. The recovery's few bright spots have been overshadowed by the general fragility of the global financial system, characterized by rising funding costs, higher commodity prices, and volatile capital flows. Given these uncertainties, it is clear that restoring faith in the markets will be a monumental task for policymakers in both advanced and emerging economies.

In order to reignite the engines of economic growth, global leaders must provide investors, consumers, entrepreneurs, and the like with the trust and support necessary to take risks and innovate. To accomplish this, they need to strengthen institutions through more efficient and effective legal and regulatory frameworks, as well as enhanced corporate governance mechanisms. Instilling trust back in the system could pay dividends as financial markets stabilize, liquidity increases, and capital is allocated to its most productive uses. Although emerging and advanced economies face challenges that will be neither easy nor straightforward to address, long-term sustainable growth can be attained through collective action and international cooperation. Dialogue at the local, regional, and global levels will be critical in providing greater assurance, minimizing negative outcomes, and promoting a more stable financial system.

Improvement efforts need to be driven by local-level reforms to ensure that the appropriate financial systems are in place, thereby helping extend prosperity to all. *The Financial Development Report* provides a benchmarking tool across a depth of information and a number of economies. It thereby allows countries to identify and develop workable solutions for building on existing strengths and addressing potential problematic areas.

In the tradition of the Forum's multi-stakeholder approach to global issues, the creation of this *Report* involved an extensive program of outreach and dialogue with members of the academic community, public figures, representatives of nongovernmental organizations, and business leaders from around the world. This work included numerous interviews and collaborative sessions to discuss the findings of the Index and their implications, as well as possible modifications to its design. Other complementary publications from the World Economic Forum include *The Global Competitiveness Report*, *The Global Enabling Trade Report*, *The Global Gender Gap Report*, *The Global Information Technology Report*, and *The Travel & Tourism Competitiveness Report*.

We would like to express our gratitude to our industry partners and the academic experts who served on the project's Expert Committee: Giancarlo Bruno, Senior Director, World Economic Forum USA; Chris Coles, Partner, Actis; Michael Drexler, Senior Director, World Economic Forum USA; Patrice Etlin, Managing Partner, Advent International; Reto Kohler, Head of Strategy, Corporate and Investment Banking and Wealth Management, Barclays; Gerard Lyons, Chief Economist and Group Head of Global Research, Standard Chartered; Raghuram Rajan, Eric J. Gleacher Distinguished Service Professor of Finance, The University of Chicago Booth School of Business; Nouriel Roubini, Professor of Economics and International Business, Leonard N. Stern School of Business, New York University and Chairman, Roubini Global Economics; Kevin Steinberg, Chief Operating Officer, World Economic Forum USA; Augusto de la Torre, Chief Economist for Latin America and the Caribbean, World Bank; and Ksenia Yudaeva, Director of the Macroeconomic Research Center, Sberbank. We are appreciative of our other academic advisors, who generously contributed their time and ideas in helping shape this *Report*. We would also like to thank Isabella Reuttner and Todd Glass at the World Economic Forum for their energy and commitment to the project. We are grateful to Margareta Drzeniek Hanouz, Thierry Geiger, and Michael Koenitzer for their guidance as Project Advisors. Appreciation also goes to The Global Benchmarking Network Team, including Jennifer Blanke, Beñat Bilbao-Osorio, Ciara Browne, Roberto Crotti, Tania Gutknecht, Caroline Ko, and Cecilia Serin. Finally, we would like to thank our network of Partner Institutes, without whose enthusiasm and hard work the annual administration of the Executive Opinion Survey and this *Report* would not be possible.