

# Global Agenda Council on Financing & Capital 2012-2014



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## Understanding/Context

The role of financial institutions is to provide financing and capital to meet the needs of individuals, companies and society as a whole. When they do this well, they help to create and maintain an efficient and functional economy by facilitating sustainable growth and prosperity. But in the current environment, certain impediments make it harder for capital to flow where it is most needed.

## Shaping the Agenda

The World Economic Forum created the Global Agenda Council on Financing & Capital to identify the impediments and find ways in which they can be overcome. The Council outlined a “vicious circle” that hampers the efficient allocation of capital. It has four distinct, yet interconnected, elements:

- Unduly complicated regulatory compliance burdens
- A lack of trust in financial institutions and regulators
- A lack of transparency
- A failure by the media to present bias-free reports about the financial system

The Council has taken steps to address the vicious circle in two ways. The first was to identify how mistrust of financial institutions and regulators stems from a lack of understanding of the roles banks should perform. This work was validated in a session entitled “Banks in the Real Economy” at the World Economic Forum Annual Meeting 2013. The second was the drafting of a white paper, “Breaking the Logjam of Capital Allocation”, which was used during the Annual Meeting to raise awareness and provide thought leadership on the issues. The Council Chair also presented the white paper at the Financial Services Industries’ “Access to Capital” private session at the Annual Meeting.

For the following 12 months, the Council’s objective was to further define the impediments that prevent small and medium-sized enterprises (SMEs) from accessing financing. The Council is focusing on such companies because of their extensive contribution to economic growth.

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The Council has conducted a brief survey and used the results to provide an opinion on the differences between perceptions of what is happening in the SME space and reality. The ultimate goal is to use the Council’s survey results, as well as other literature, to find ways to improve access to finance for SMEs. As a teaser to the findings, the survey shows that “not all SMEs are created equal. While most of the jobs reside in mature SMEs, young firms are responsible for the bulk of the job creation”.

## Contact Information

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