



ORGANISATION FOR ECONOMIC  
CO-OPERATION AND DEVELOPMENT



# Risk Capital Data Report

International Consortium on  
Entrepreneurship

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## *Background*

- Common ICE view on importance of finance
- ICE Risk Capital Study
  - Data Track

### Related

- OECD Brasilia Conference on Financing SMEs
- OECD WPSMEE Study on HGSMEs
  - Financing Sub-Theme
  - Literature review
- EIP: Entrepreneurship Indicators Programme
  - “Determinant” Indicators

# Determinants

Regulatory Framework	R&D and Technology	Entrepreneurial Capabilities	Culture	Access to Finance	Market Conditions
Administrative Burdens for Entry	R&D Investment	Training and experience of entrepreneurs	Risk Attitude in Society	Access to Debt Financing	Anti-Trust Laws
Administrative Burdens for Growth	University/ Industry Interface	Business and Entrepreneurship Education (skills)	Attitudes Towards Entrepreneurs	Business Angels	Competition
Bankruptcy Regulations	Technological Cooperation Between Firms	Entrepreneurship Infrastructure	Desire for Business Ownership	Access to VC	Access to the Domestic Market
Safety, Health and Environmental Regulations	Technology Diffusion	Immigration	Entrepreneurship Education (mindset)	Access to Other Types of Equity	Access to Foreign Markets
Product & Labour Market Regulation	Broadband Access			Stock Markets	Degree of Public Involvement
Court & Legal Framework	Patent System; Standards				Public Procurement
Social and Health Security					
Income, Wealth, Business and Capital Taxes					

## *ICE Risk Capital Study*

- Collect & compare definitions & terminology
- Consolidate terminology and propose new or “common” terms (Handbook)
- Assess available data for comparing risk capital supply & demand across countries
- Potential Indicators from existing/new sources
- Alternatives for improvements



## *OECD Brasilia Conference on Financing Action Statement Excerpts*

To improve data on financing, OECD should:

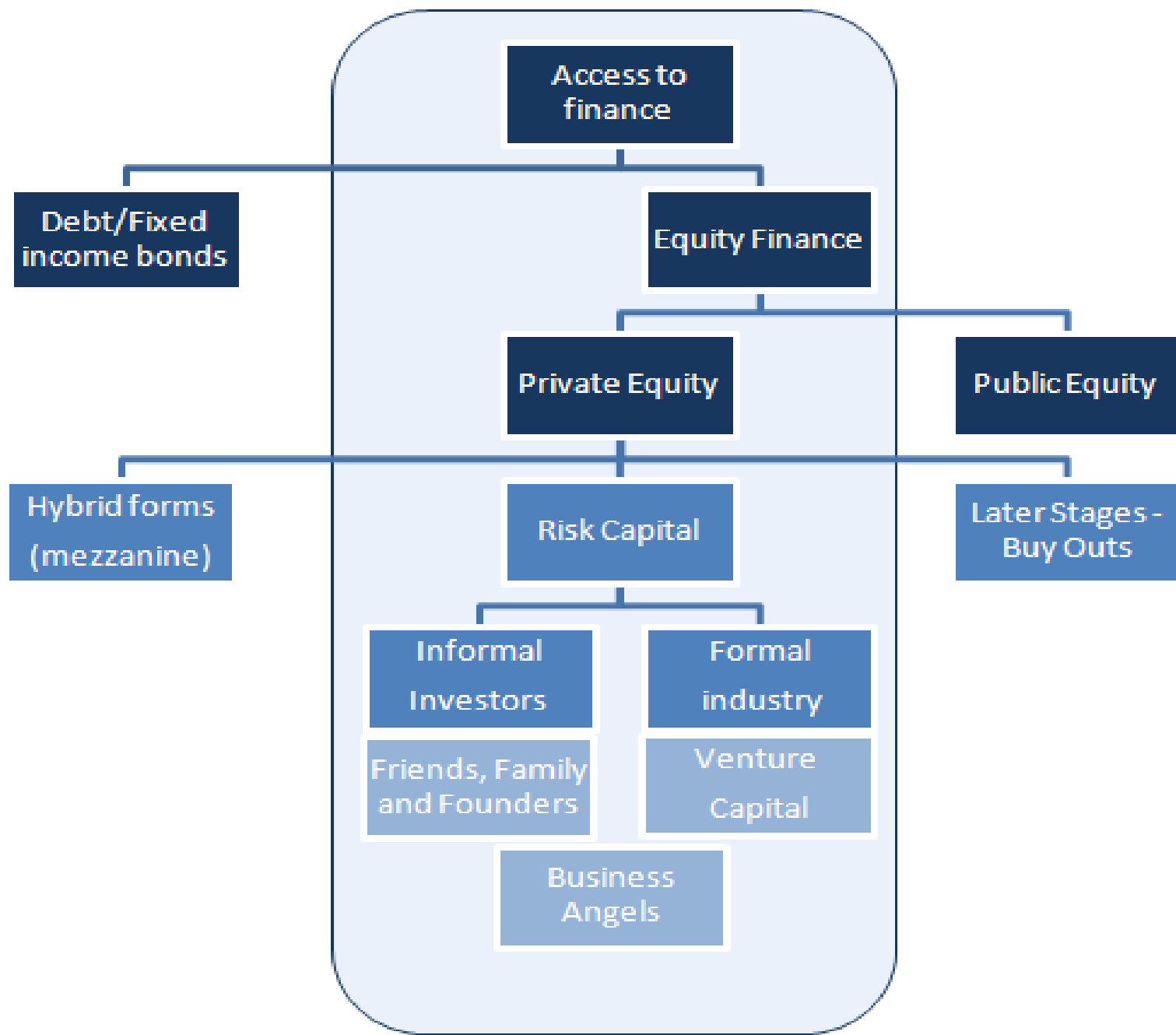
- Produce Handbook of definitions, indicators & methods for data on supply and demand
- Encourage use of the Handbook for surveys of suppliers and demanders of finance
- Take the lead in developing data and establishing benchmarks

## *Workshop on Private Equity Definitions and Measurement*

- Policy interests NOT same as investor concerns
- Industry Rules on data on investment returns
- Analysts also want data on investment by stage
- Industry dismissed data by Stage or Type
- Not even possible to separate VC from Buyout
- Little hope for better data on Informal Equity
- Private Equity is PRIVATE

## *Terminology Review*

- Focus on Stage and Type
- NOT about VC valuation and communication with investors
- First priority: Data by stage of development
- Separate financing amounts for
  - Buy-out and mature firm transactions ; and
  - Start-up and development



## *Terminology Proposals*

- Largely successful in distinguishing:
  - Seed/Start-up
  - Early Development/Expansion
  - Buyout and Other Late Stage
- ....but not for all data breakdowns
- Glossary provides many other terms
- Comments, challenges or additions?

## *Review of Data Sources*

Review covers...

- Data on Supply of Equity Financing
- Data on Demand for Equity Financing
- In reality: Demand for Equity AND Debt

## *Data on Supply of Equity Financing*

### Supply of Equity

- Much data available from VC Associations
- But, comparability issues remain
- And, Venture Capital not relevant for many firms
- Little data available on Business Angel investing
- Even less data on Other Informal Investing

Yet

- Studies show importance of Informal Financing

## *Footnote on Debt Data*

### Supply of Debt

- Many countries have business finance data
- “Supply” measured by value of loans outstanding
- Data on loans by loan size (Not by firm size)

## *Data on Demand for Financing*

### **Demand for Equity (and Debt)**

- Several countries survey firms on Financing
- Limited cross-country comparability
- Surveys cover all firms (or all SMEs)
- Not targeted to candidates for Risk Capital
- Potential for collaborative work
- Agree on common
  - Target populations
  - Questions
  - Classifications

## *Potential Financing Data*

- What is the potential to produce indicators from existing or new sources?
- International collaboration on Demand surveys?
- OECD Pilot questions on financing, tied to innovation and growth activities
- Extend the Entrepreneurship Indicators Programme model?
- Continue development of an OECD Entrepreneurship Financing Database?

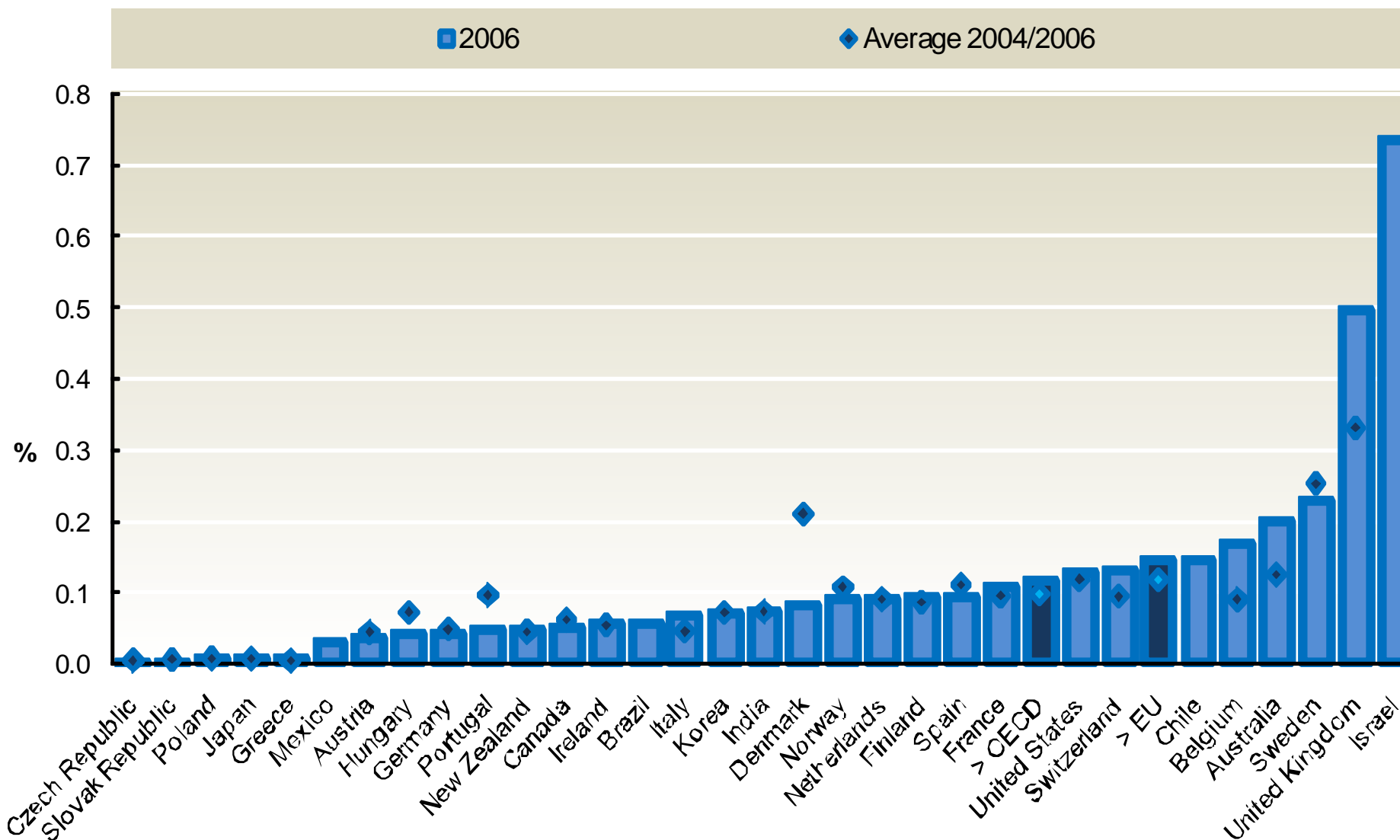


## *Entrepreneurship Financing “Database”*

- Updating and extension of Venture Capital Database created by OECD’s STI Directorate
- Assembly of available data on financing
- “Harmonisation” where possible
- Table 6 shows list of Potential Indicators
- Not an official project.....
- Would require resources and “leadership” by stakeholders.
- .....nevertheless, some examples



# Total Venture Capital as a % of GDP

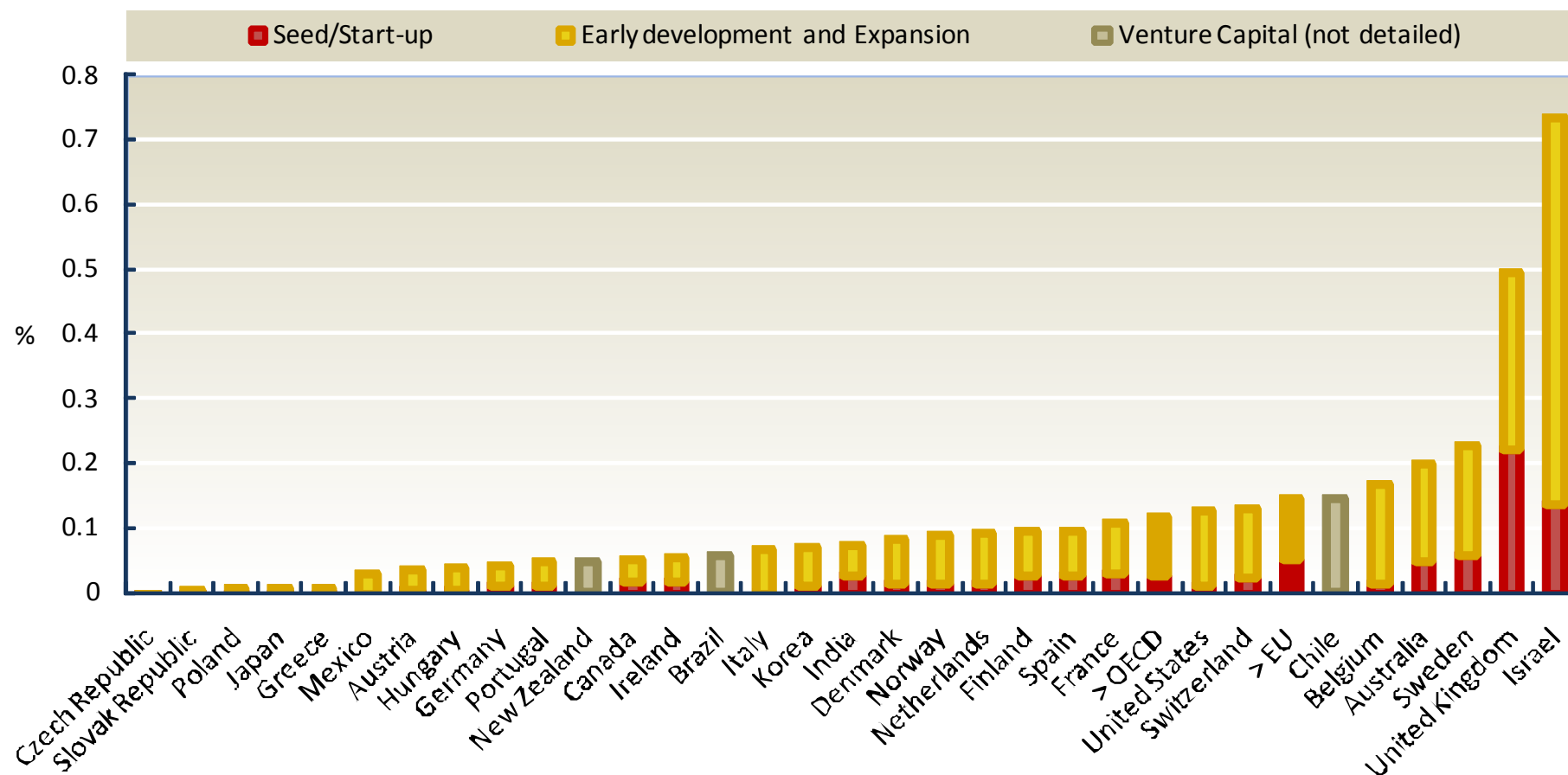


Note: Venture Capital includes Seed, Startup, Early development and Expansion stages. Later stages and Buyouts are excluded, except for Mexico, Chile and Brazil. Total OECD excludes Luxembourg, Turkey and Iceland.

Source: OECD based on data from Thomson Financial, PwC, EVCA, LVCA and National Venture Capital Associations

# VC: Start-up vs. Development

**Early stage and Expansion investments**  
as a percentage of GDP, 2006

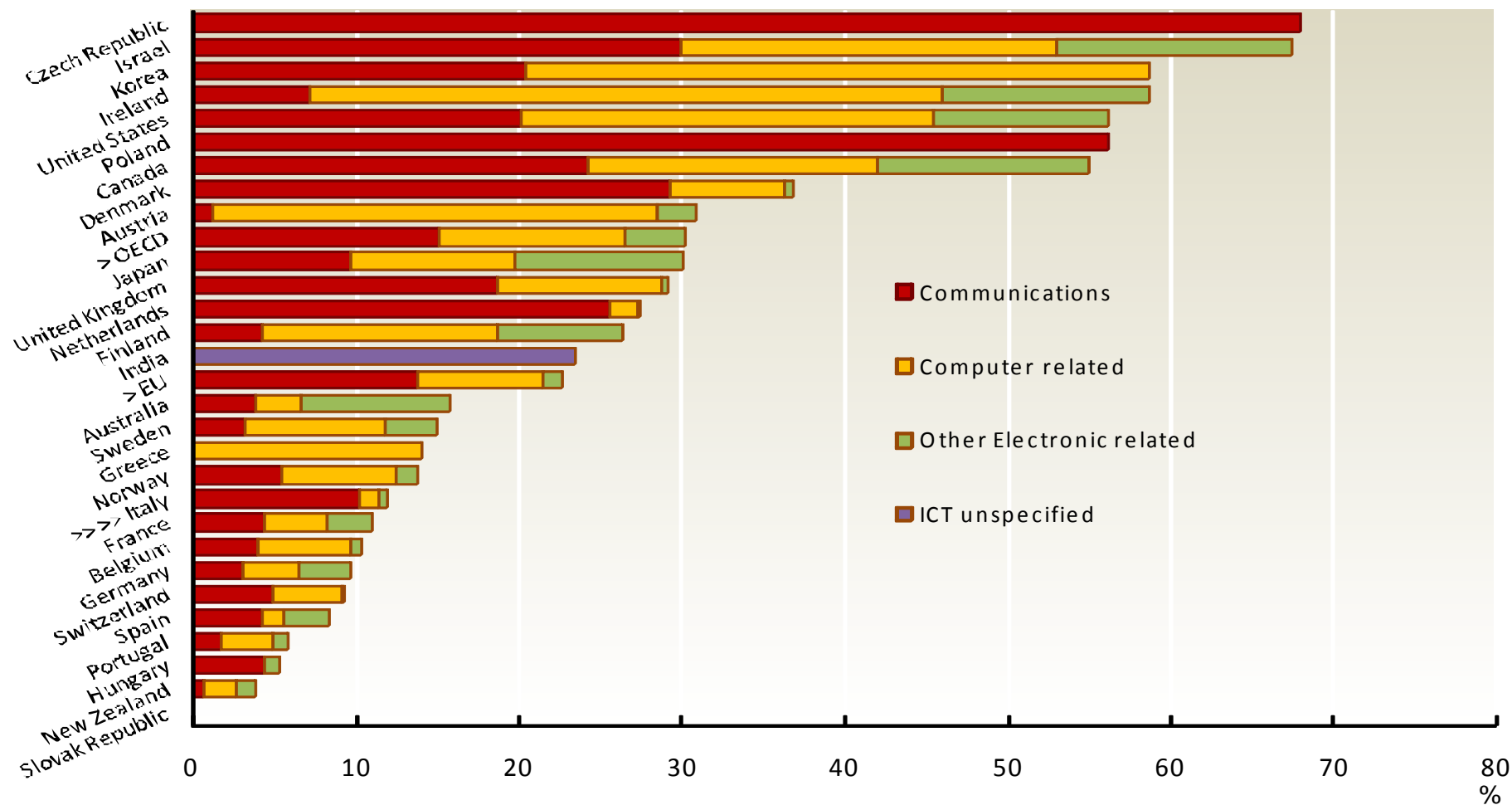


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# Venture Capital and ICTs

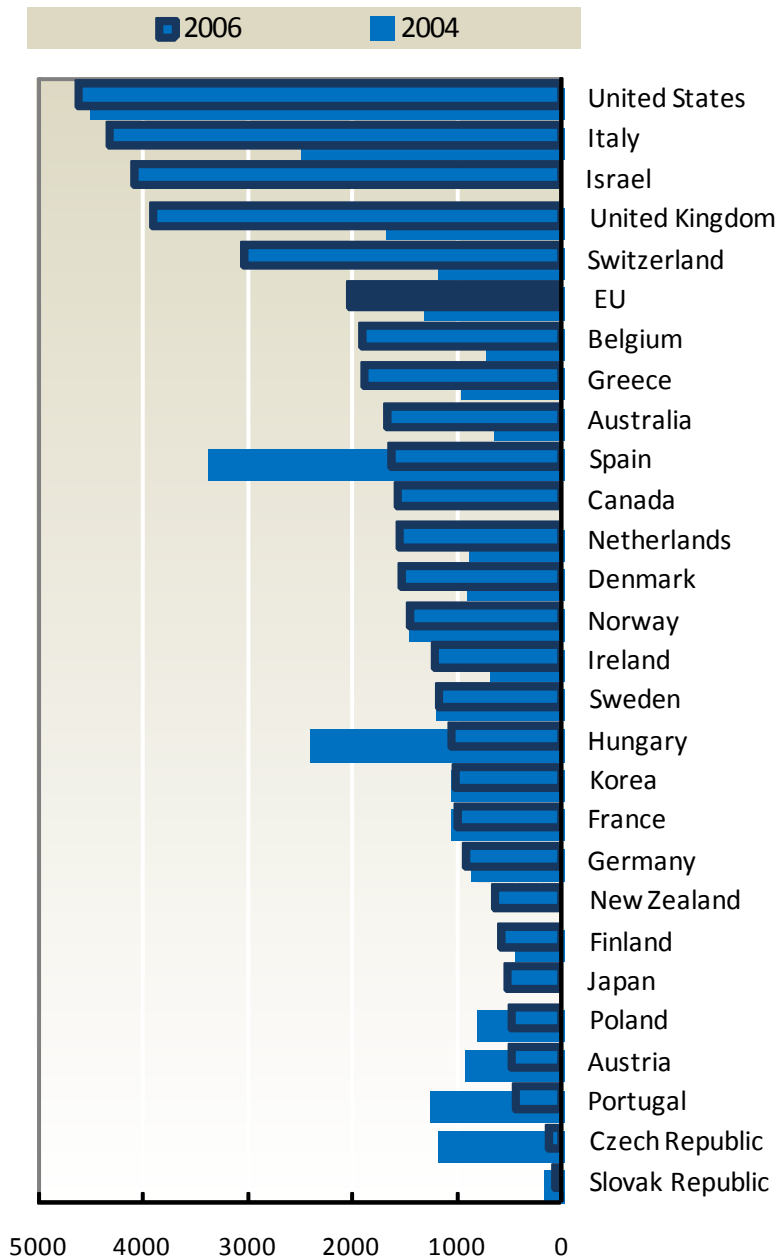
Share of ICT sectors  
in total Venture Capital investment ,2006



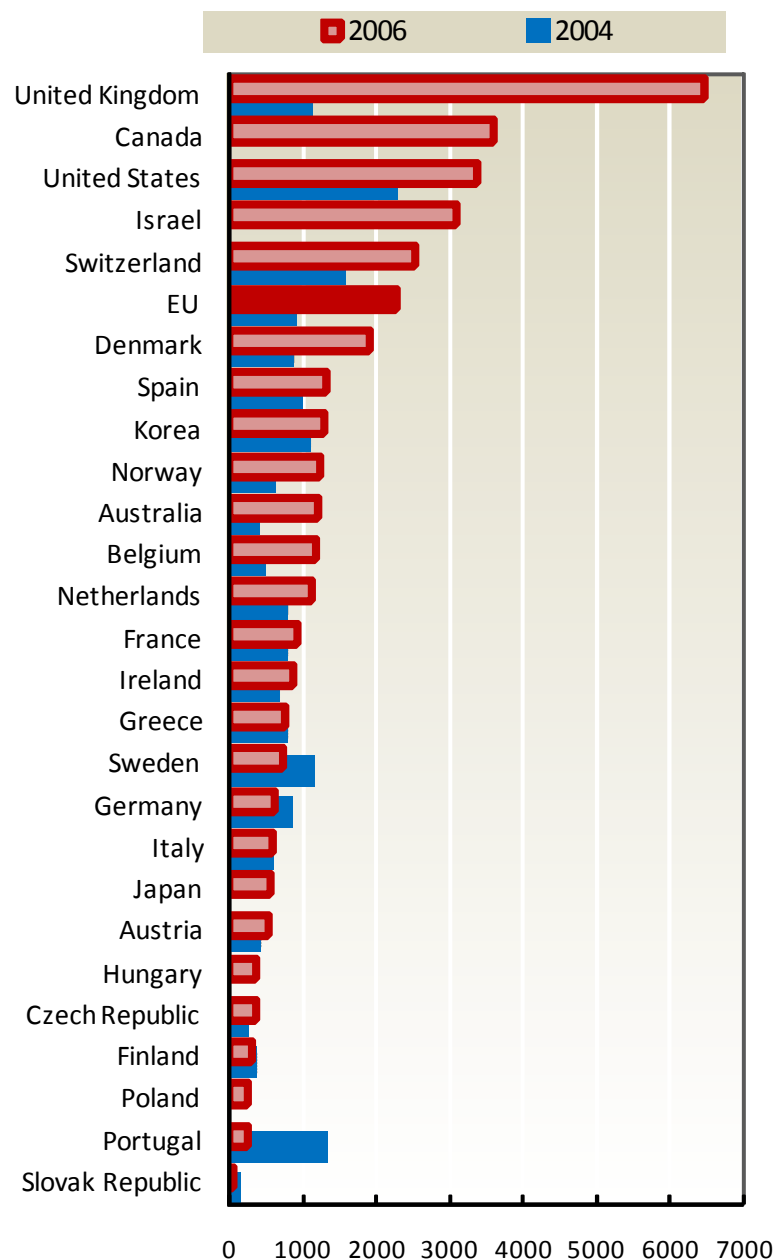
Notes: For European countries, India and Australia, share of ICT sectors investments in total Private Equity (including buy-outs). Total OECD excludes Luxembourg, Turkey and Iceland.

Source : OECD based on data from Thomson Financial, PwC, EVCA, and National Venture Capital Associations

### Venture Capital average deal size in 000 USD



### Early Stage average deal size in 000 USD



## *EIP Pilot Survey on Financing*

- Ideally would target candidates for equity
- Tests questions that relate financing to innovation and growth activities
- Provides a model for international survey work
- Internet survey vehicle has been developed
- Seeking sample firms for Pilot Study

## *Literature Review*

- Will inform the comparative analysis of studies on Financing of Growth and Innovation
- Are there common issues and conclusions?
- Are there common data sources?
- Over 60 studies reviewed
- Both Summary and Detailed Reviews available

## *Common Issues?*

- Studies review type of financing used by firms of different size, age, type (e.g. “innovativeness”)
- But, methodologies differ greatly
- Few Studies on innovative, high growth firms
- Studies often cover only debt, not equity

## *Common conclusions?*

- Common theoretical view:
- Equity is more appropriate than debt for innovative, high growth firms (IHG)
- Evidence supports notion that IHGs are more likely to use/accept equity than other firms
- BUT , internal financing favoured by all firms
- Even IHGs rely more on debt than equity
- Limited use of external equity
- Direct cross-country comparisons not possible

## *Common Data Sources?*

- Data from “one-off” special studies is common
- Use of official NSO data was limited
- Surveys of firm financing typically don't capture notion of innovation and growth
- Creativity and ingenuity demonstrated by researchers in finding data sources
- Share ideas about possible national data sources (e.g., Credit Rating files in Germany)

## *Points for Discussion*

### Financing terminology

- Missing Terms? Agreement with Definitions?
- Should we define “Financing Gap”?

### What are the desirable Indicators?

- VC/GERD or VC/BERD
- International syndication
- Specialty Funds (Canadian “Retail” Funds)

## *Points for Discussion*

Developing existing or new data

- Entrepreneurship Financing Database
- How to “Lobby” VC Associations?
  - Who? How?
- Financing Survey Cooperation Group
- Pilot Survey on Financing for Growth