

Access to finance: Venture capital

Key facts

- In the majority of countries, venture capital represents a very small percentage of GDP, e.g. often less than 0.05%. Exceptions are Israel and the United States, where the venture capital industry is more mature and represented respectively 0.38% and 0.28% of GDP in 2014. Venture capital investments in the United States accounted for more than 80% of the OECD total in 2014.
- The crisis severely affected the venture capital industry, with seed and start-up stage financing holding up better than later-stage financing. Venture capital investments were higher in 2014 than in 2007 in only a few countries, including Hungary, Korea, the United States, the Russian Federation and South Africa. In the United States, in particular, investments doubled in the last two years alone, but remained below the exceptionally high levels reached in 2000 at the height of the dot.com boom.
- Significant cross country differences exist in the type of companies likely to receive venture capital investments. In 2014, in the United States, nearly half of all investments were in computer and consumer electronics firms, over double the rate in Europe, where around one-third of all investments went to life sciences companies.
- Typically venture capital provides a financing option in less than 0.1% of firms, predominantly during their start-up phase. In the majority of countries, the average investment per company has declined compared to the pre-crisis level; in Israel and the United States, though, it is well above the 2007 average.

Relevance

Venture capital is a form of equity financing particularly important for young companies with innovation and growth potential but untested business models and no track record, and replaces and/or complements traditional bank finance.

Comparability

With the exception of Australia, data on venture capital are drawn from national or regional venture capital associations in some cases with the support of commercial data providers. Australian data are collected by the Australian Bureau of Statistics.

The statistics presented correspond to the aggregation of investment data according to the location of the portfolio companies, regardless of the location of the private equity firms. Exceptions are Australia, Korea and Japan where data refer to the location of the investing venture capital firms.

Definitions

Venture capital is a subset of private equity (i.e. equity capital provided to enterprises not quoted on a stock market) and refers to equity investments made to support the pre-launch, launch and early stage development phases of a business (Source: EVCA, European Private Equity and Venture Capital Association).

Venture-capital backed companies (also called portfolio companies or investee companies) are new or young enterprises that are (partially or totally) financed by venture capital.

The *average venture capital investment per company* is the ratio between the total venture capital investments in a country and the number of venture capital-backed companies in the country.

The *venture-capital backed companies rate* is computed as the number of enterprises that received venture capital over 1000 employer enterprises.

The *trend-cycle* reflects the combined long-term (trend) and medium-to-long-term (cycle) movements in the original series (see <http://stats.oecd.org/glossary/detail.asp?ID=6693>).

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Data for Australia refer to the fiscal year. Data for Israel refer only to venture capital-backed high-tech companies. For Canada, data are shown only for 2014, as the series of Canadian data is being revamped.

In figure 7.5, percentages for the United States relate to the number of investment deals by development stage.

In the *OECD Entrepreneurship Financing Database* venture capital is made up of the sum of *early stage* (including pre-seed, seed, start-up and other early stage) and *later stage* venture capital. As there are no harmonised definitions of venture capital stages across venture capital associations and other data providers, original data have been re-aggregated to fit the OECD classification of venture capital by stages. Korea, New Zealand, the Russian Federation and South Africa do not provide breakdowns of venture capital by stage that would allow meaningful international comparisons.

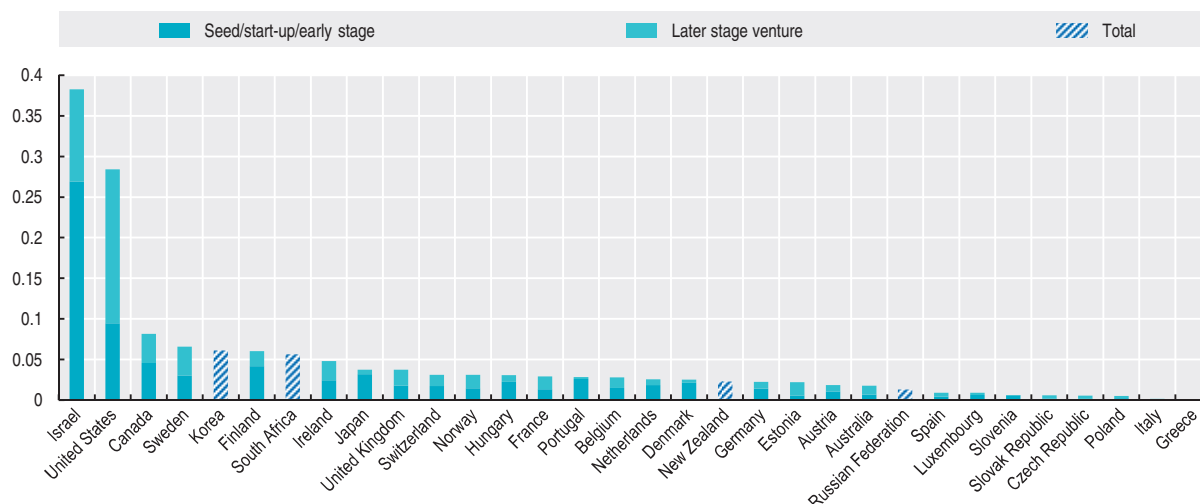
Annex C presents correspondence tables between original data and OECD harmonised data.

Source

OECD Entrepreneurship Financing Database.

Figure 7.1. **Venture capital investments as a percentage of GDP**

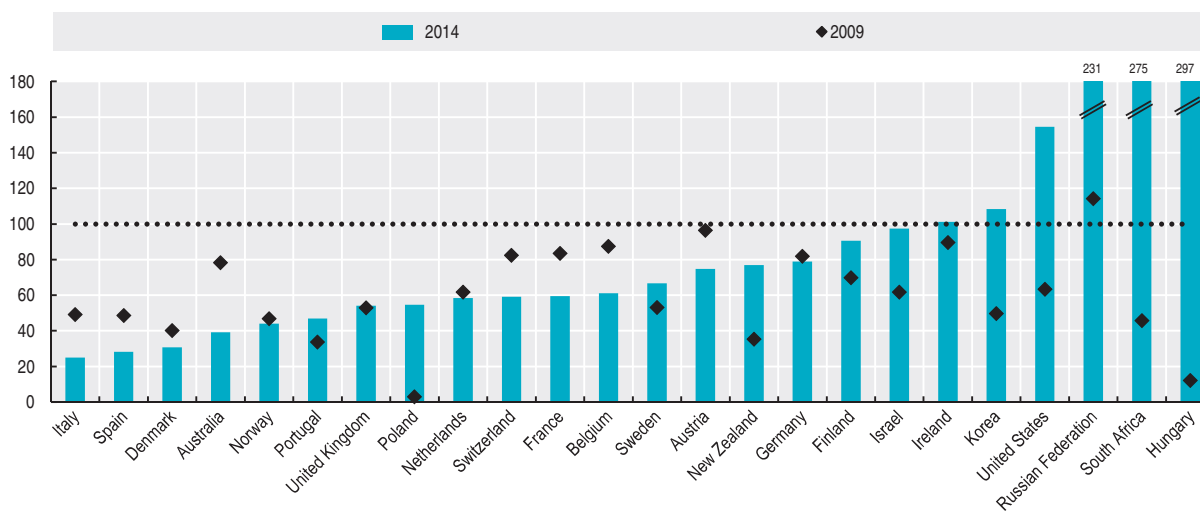
Percentage, 2014 or latest available year



StatLink <http://dx.doi.org/10.1787/888933231207>

Figure 7.2. **Trends in venture capital investments**

Index 2007 = 100



StatLink <http://dx.doi.org/10.1787/888933231219>

Table 7.1. **Venture capital investments**

Million US dollars, 2014 or latest available year

Greece	0.26	Austria	81.76	Australia	265.92
Slovenia	3.32	Denmark	87.51	Sweden	376.20
Estonia	5.84	Ireland	119.41	France	835.84
Luxembourg	5.86	Spain	132.42	Korea	865.51
Slovak Republic	6.24	Belgium	151.17	Germany	880.69
Czech Republic	12.03	Norway	157.18	United Kingdom	1 112.62
Poland	29.21	Finland	163.73	Israel	1 165.00
Hungary	42.65	South Africa (2013)	199.38	Canada	1 464.82
Italy	44.77	Switzerland	224.11	Japan (2013)	1 862.79
New Zealand	46.29	Netherlands	224.56	Total Europe	4 793.95
Portugal	65.91	Russian Federation	250.71	United States	49 532.43

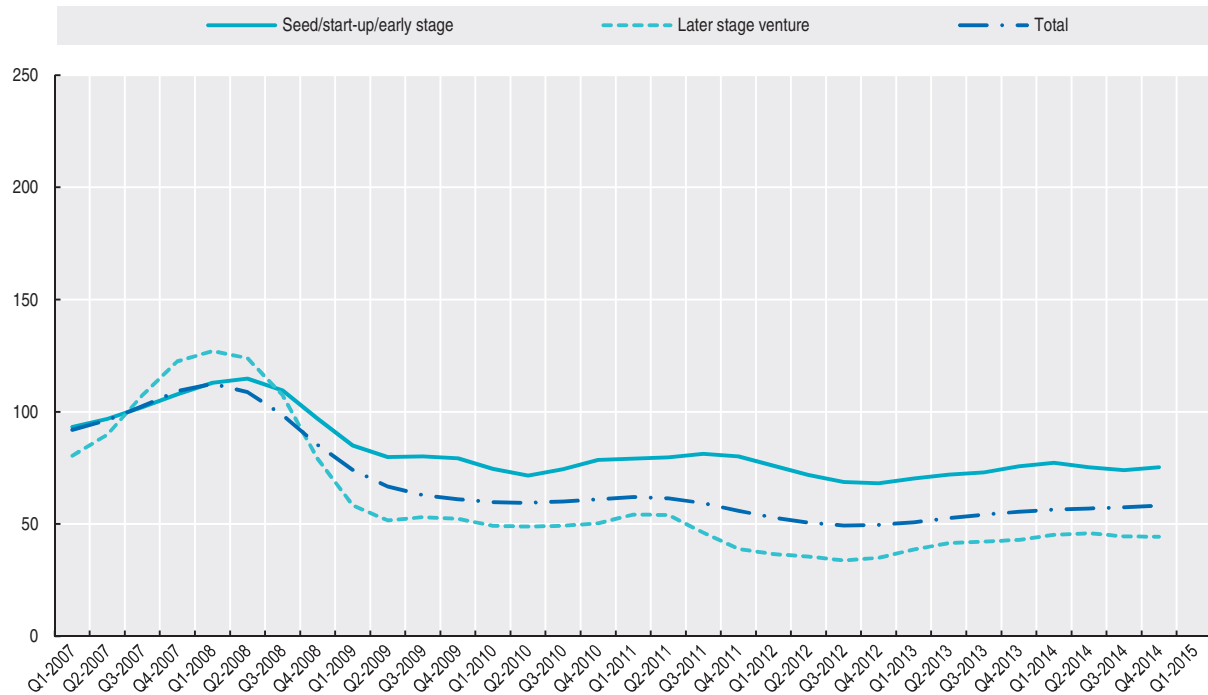
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7. DETERMINANTS OF ENTREPRENEURSHIP: SELECTED INDICATORS

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Figure 7.3. **Venture capital investments, Europe**

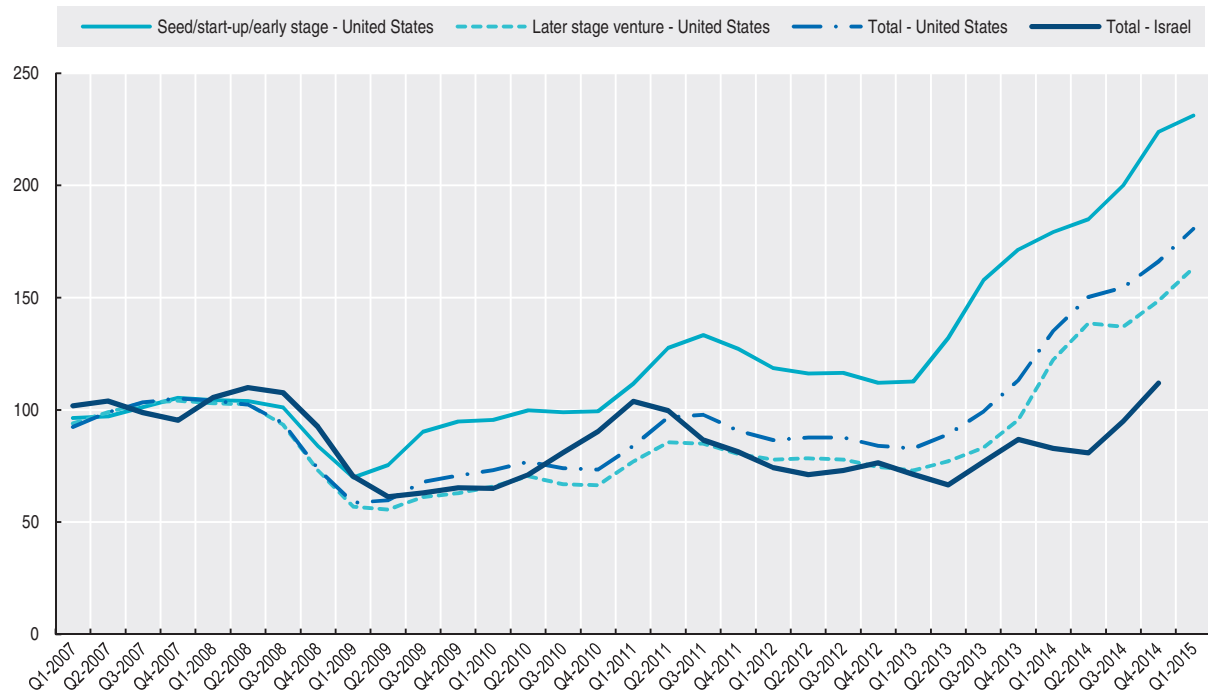
Trend-cycle, 2007 = 100



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Figure 7.4. **Venture capital investments, United States and Israel**

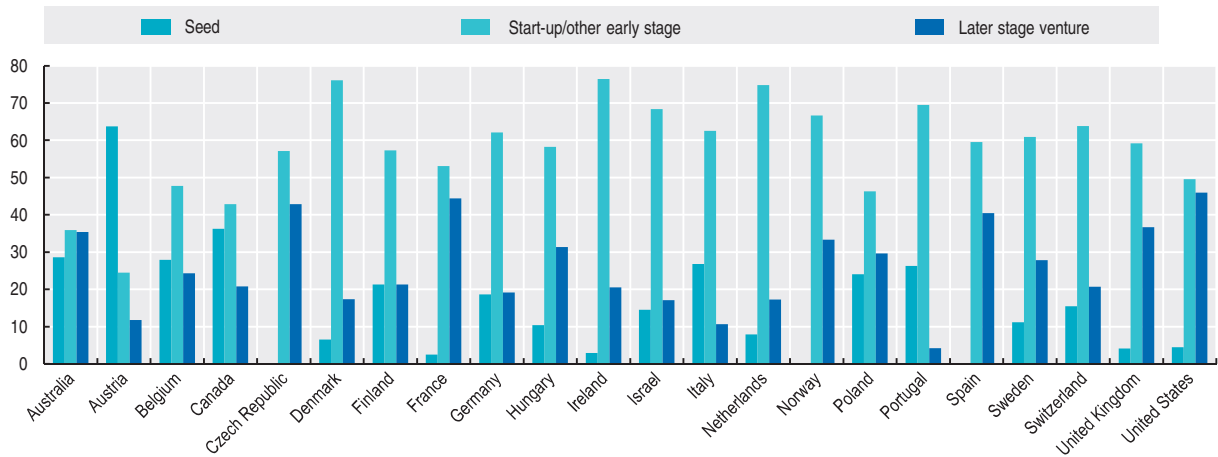
Trend-cycle, 2007 = 100



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Figure 7.5. **Venture-backed companies by development stage**

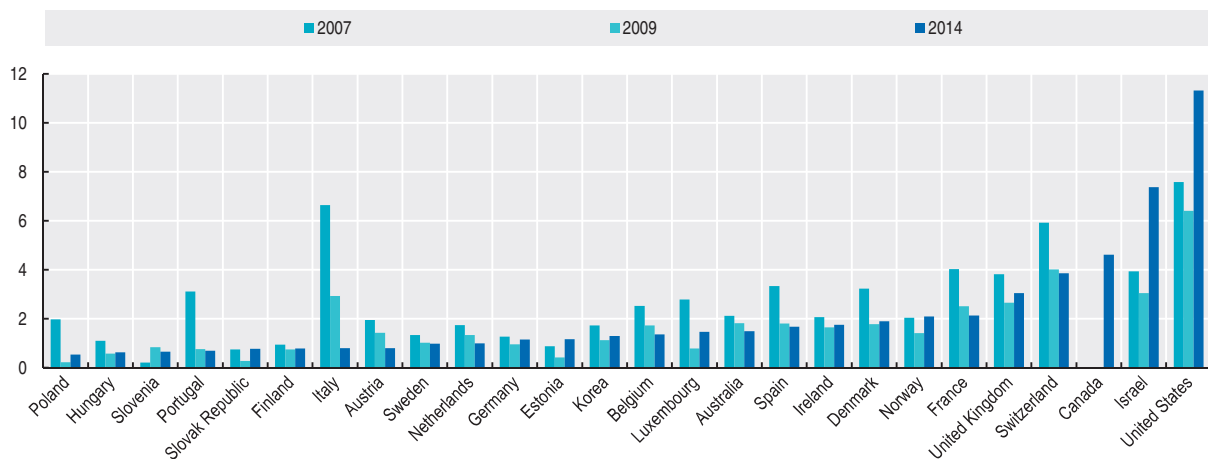
Percentage, 2014 or latest available year



StatLink <http://dx.doi.org/10.1787/888933231241>

Figure 7.6. **Average venture capital investments per company**

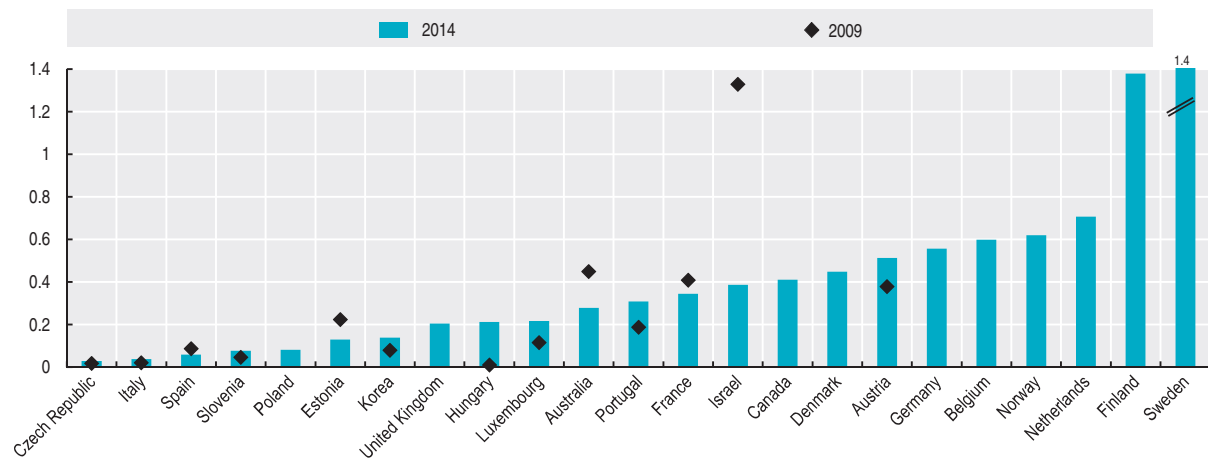
Million US dollars



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Figure 7.7. **Venture-backed companies rate**

Per 1000 employer enterprises, 2014



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Figure 7.8. **Venture capital investments by size of venture-backed companies, Europe**

Million US dollars, 2014; Number of companies

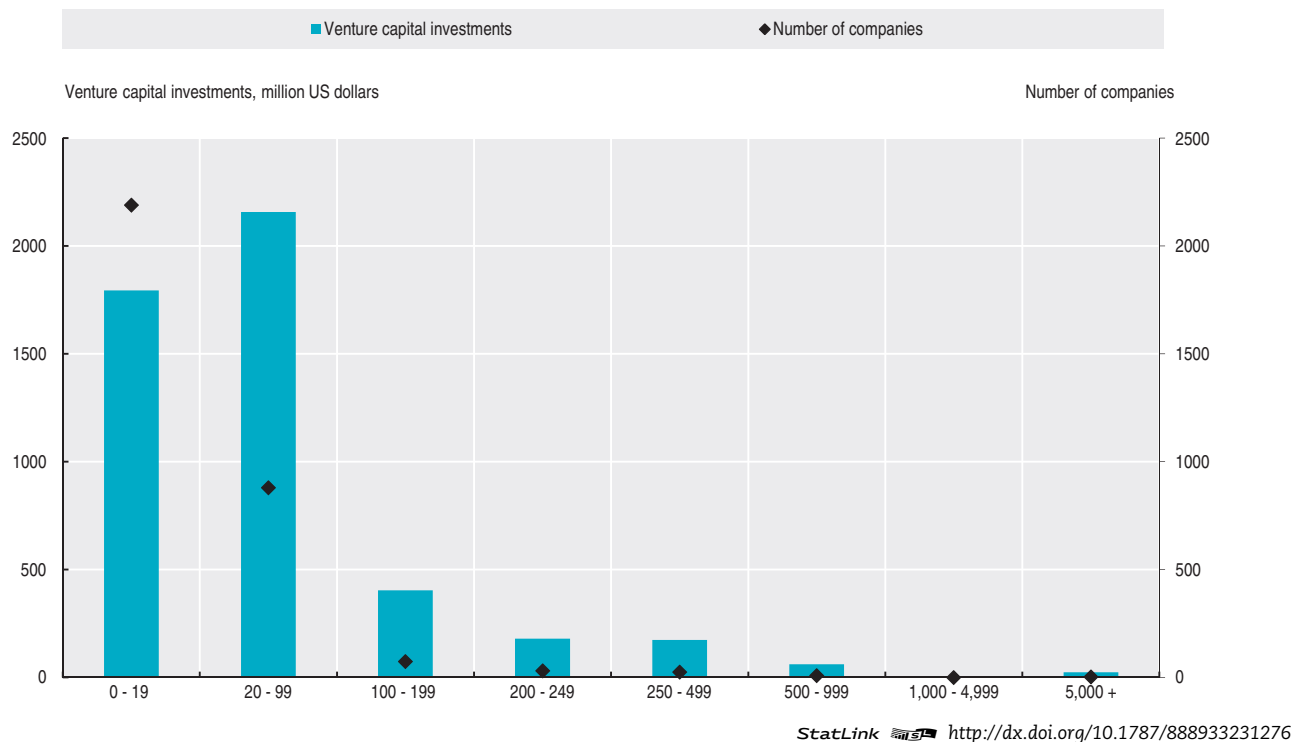


Figure 7.9. **Trends in venture capital investments in SMEs, Europe**

Million US dollars

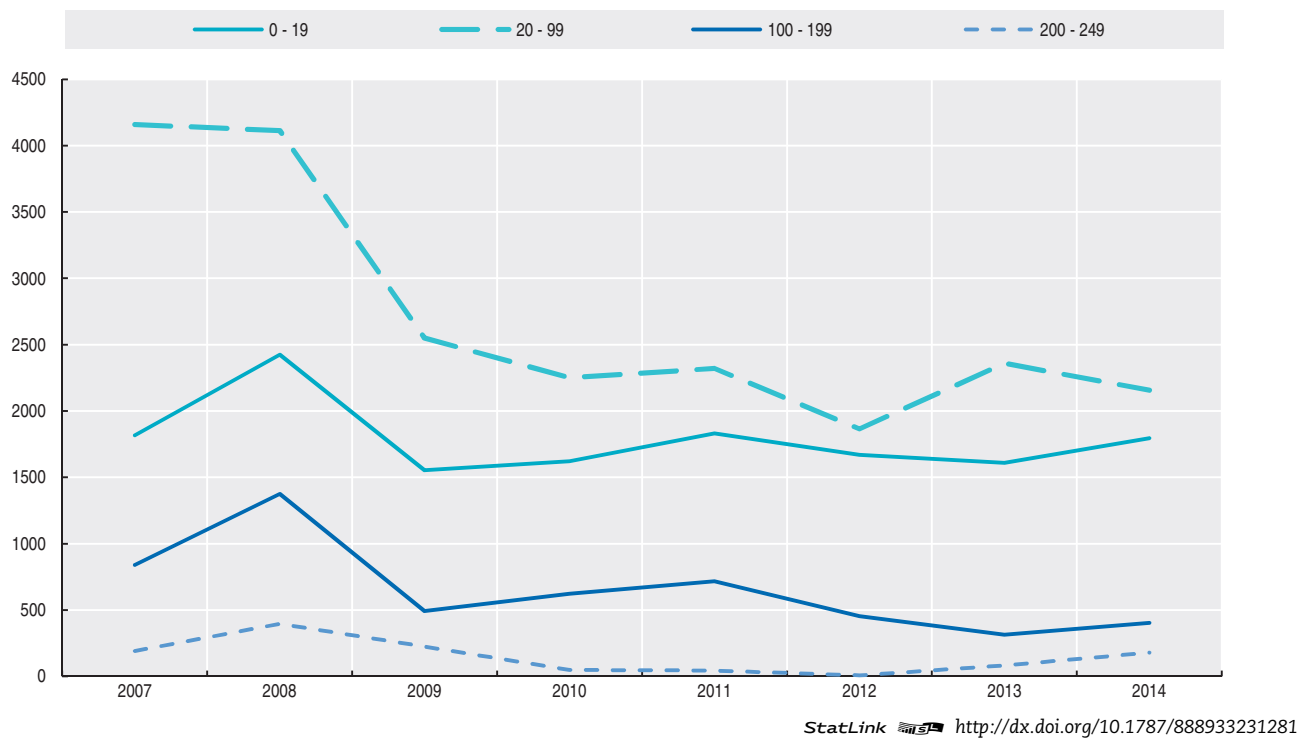
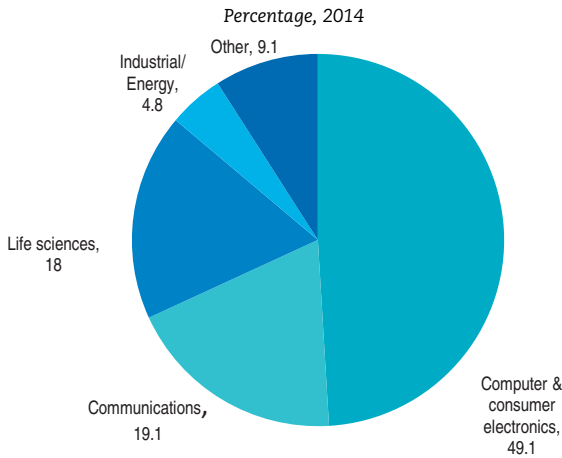
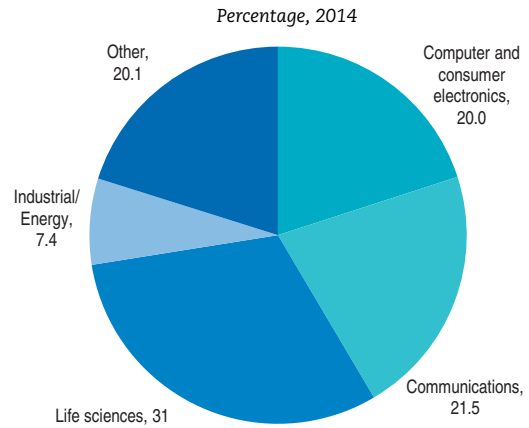


Figure 7.10. **Venture capital investments by sector, United States**



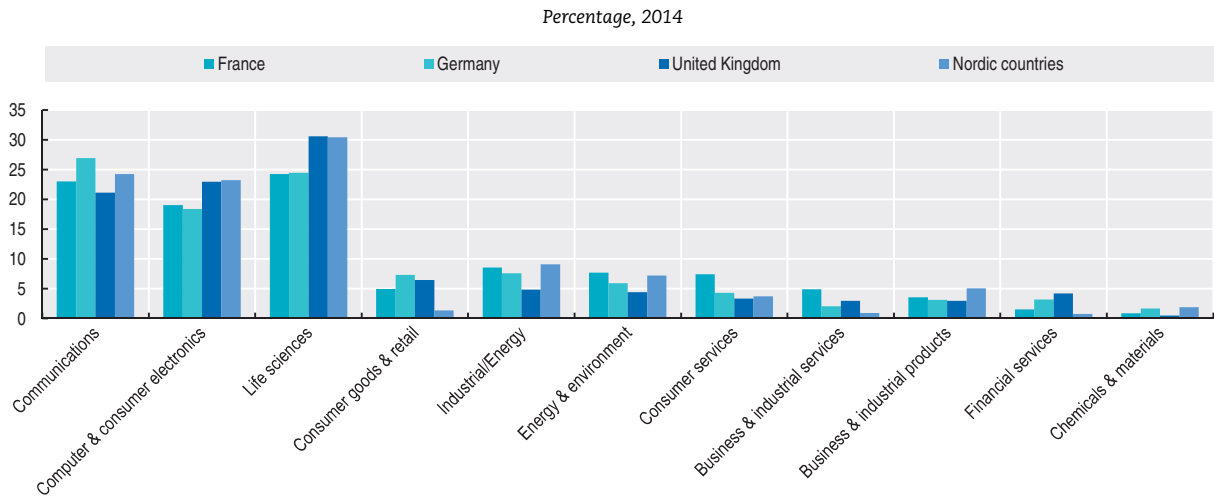
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Figure 7.11. **Venture capital investments by sector, Europe**



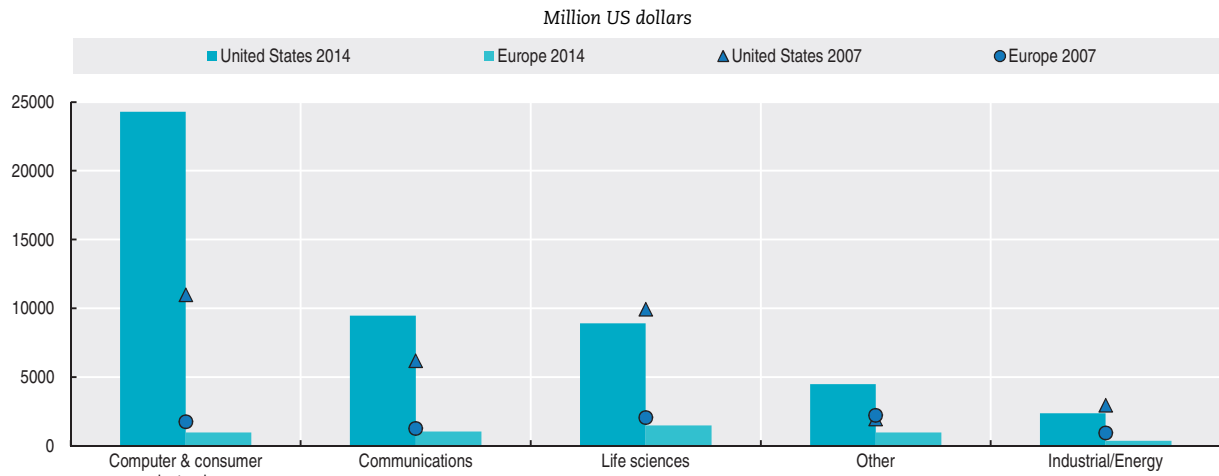
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Figure 7.12. **Venture capital investments by sector, selected European countries**

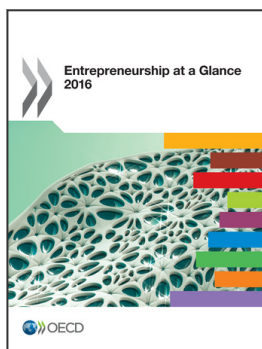


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Figure 7.13. **Venture capital investments by sector**



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