

Access to finance: Venture capital

Key facts

- In the majority of countries for which data are available, venture capital investments represent a very small percentage of GDP, e.g. often less than 0.03%. Exceptions are Israel and the United States, where the venture capital industry is more mature and represents 0.5% and 0.2% of GDP respectively.
- The crisis has severely affected the venture capital industry. In 2012, in most countries the level of venture capital investments was around 60% 2007 levels. In Ireland and Luxembourg however investments made in 2012 exceeded pre-crisis levels.
- In 2012, in the United States, 40% of venture capital investments were in the life sciences sector, while in Europe this share was 30%. Investments predominantly target companies in their start-up phase, followed by later-stage ventures; and only a very small number of companies are backed by venture capital.

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; it replaces and/or complements traditional bank finance. The development of the venture capital industry is considered as part of the framework conditions to stimulate innovative entrepreneurship.

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 (portfolio companies) are new or young enterprises that are (partially or totally) financed by venture capital.

The *venture capital backed companies rate* is computed as the number of enterprises that received venture capital in year *t* over 1000 active enterprises in year *t*.

Nordic countries include Denmark, Finland, Norway and Sweden (Figure 6.13).

Comparability

There are no standard international definitions of venture capital nor of the breakdown of venture capital investments by stage of development. In addition the methodology for data collection differs across countries.

Data on venture capital are drawn mainly from national or regional venture capital associations that produce them, in some cases with the support of commercial data providers, except in Australia, where the Australian Bureau of Statistics collects and publishes statistics on venture capital.

The statistics presented correspond to the aggregation of investment data according to the location of the portfolio companies (i.e. the investee 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.

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; see Annex C. Korea, New Zealand, the Russian Federation and South Africa do not provide breakdowns of venture capital by stage that would allow meaningful international comparisons.

Data on venture capital investments by sector are also the result of a reclassification of original data into five sectors, namely: Computer and consumer electronics; Communications; Life science; Industrial/energy; and Others.

In Figure 6.15, percentages for the United States relate to the number of investment deals in 2011 by development stage.

Annex C presents correspondence tables between original data and OECD harmonised data for venture capital investments by stage and sector. Readers should be aware that in the field of venture capital measurement the margin for improvements of international comparability is important.

Sources/Online databases

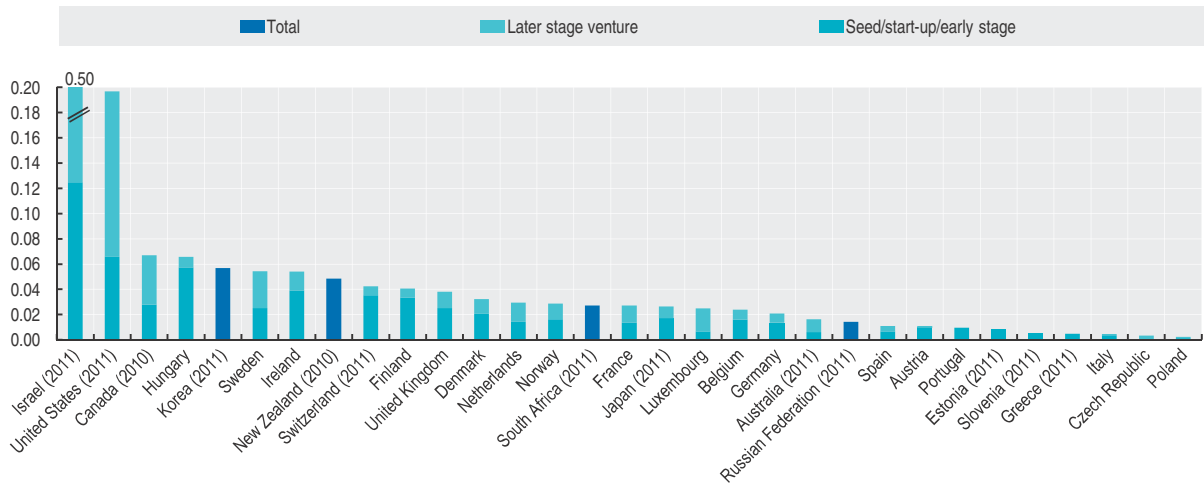
OECD *Entrepreneurship Financing Database*, drawing from:

- Australian Bureau of Statistics, *Venture Capital and Later Stage Private Equity*, www.abs.gov.au/ausstats/abs@.nsf/mf/5678.0.
- CVCA, Thomson Reuters data, www.cvca.ca/resources/statistics/.
- EVCA, www.evca.eu/knowledgecenter/statisticsdetail.aspx?id=6392.
- KVCA, <http://eng.kvca.or.kr/sub04/sub0403.jsp>.
- NVCA, Thomson Reuters data, www.nvca.org/.
- NZVCA, www.nzvca.co.nz/.
- PwC MoneyTree (Israel), www.pwc.com/il/en/venture-capital-israel/moneytree-home.jhtml.
- RVCA, www.rvca.ru/eng/.
- SAVCA / KPMG, www.savca.co.za/kpmgsurvey/default.aspx.
- VEC, www.vec.or.jp/.

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

Figure 6.9. **Venture capital investments as a percentage of GDP (US dollars)**

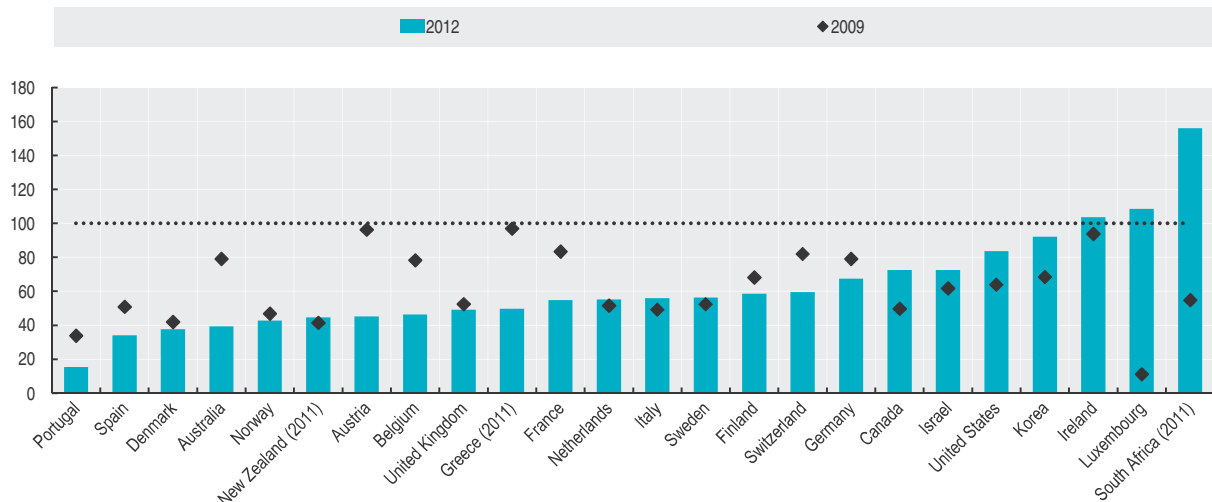
Percentage, 2012



StatLink <http://dx.doi.org/10.1787/888932829590>

Figure 6.10. **Trends in venture capital investments**

Index 2007 = 100



StatLink <http://dx.doi.org/10.1787/888932829609>

Table 6.1. **Venture capital investments by country**

Million US dollars, 2012

Estonia (2011)	1.8	Italy	91.7	Australia	331.3
Slovenia (2011)	2.5	Finland	101.6	Korea	606.9
Czech Republic	6.7	Denmark	101.7	Germany	706.2
Russian Federation (2011)	9.3	South Africa (2011)	109.6	France	710.5
Poland	11.7	Ireland	113.5	Israel	867.0
Greece (2011)	13.7	Belgium	115.9	United Kingdom	929.1
Luxembourg	14.2	Norway	143.4	Canada	1470.1
Portugal	20.4	Spain	148.1	Japan	1553.6
New Zealand (2011)	28.9	Switzerland	209.5	United States	26652.4
Austria	43.5	Netherlands	226.5		
Hungary	82.6	Sweden	285.6		

StatLink <http://dx.doi.org/10.1787/888932829837>

6. DETERMINANTS OF ENTREPRENEURSHIP: SELECTED INDICATORS

Access to finance: Venture capital

Figure 6.11. **Venture capital investments by sector, United States**

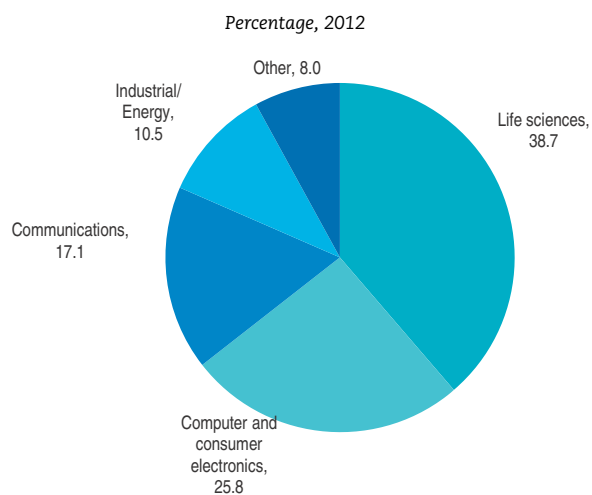
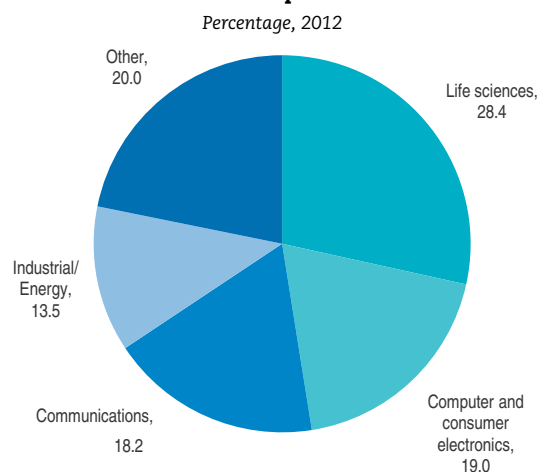


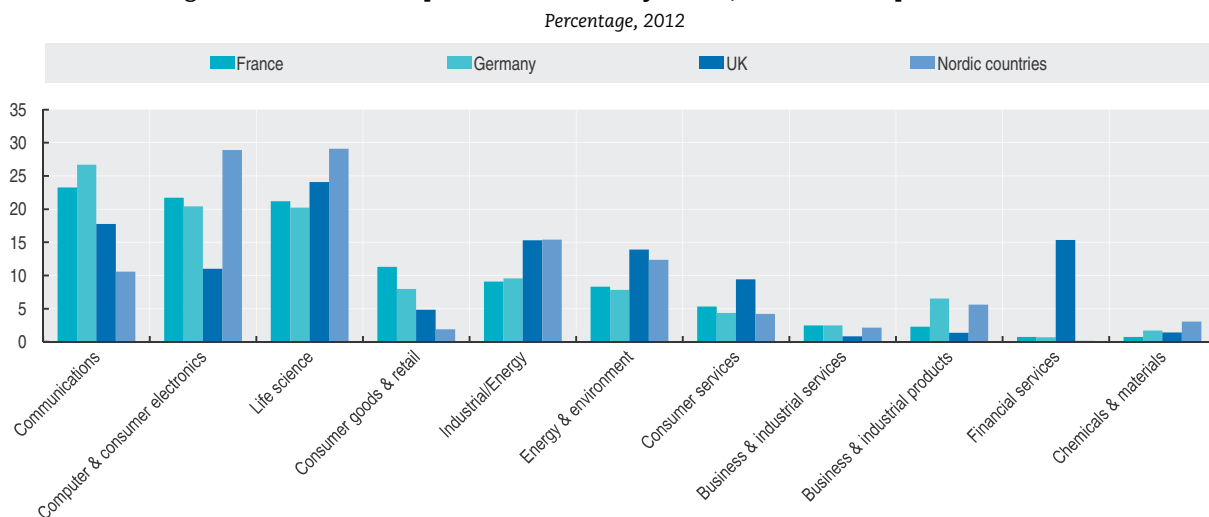
Figure 6.12. **Venture capital investments by sector, Europe**



StatLink <http://dx.doi.org/10.1787/888932829628>

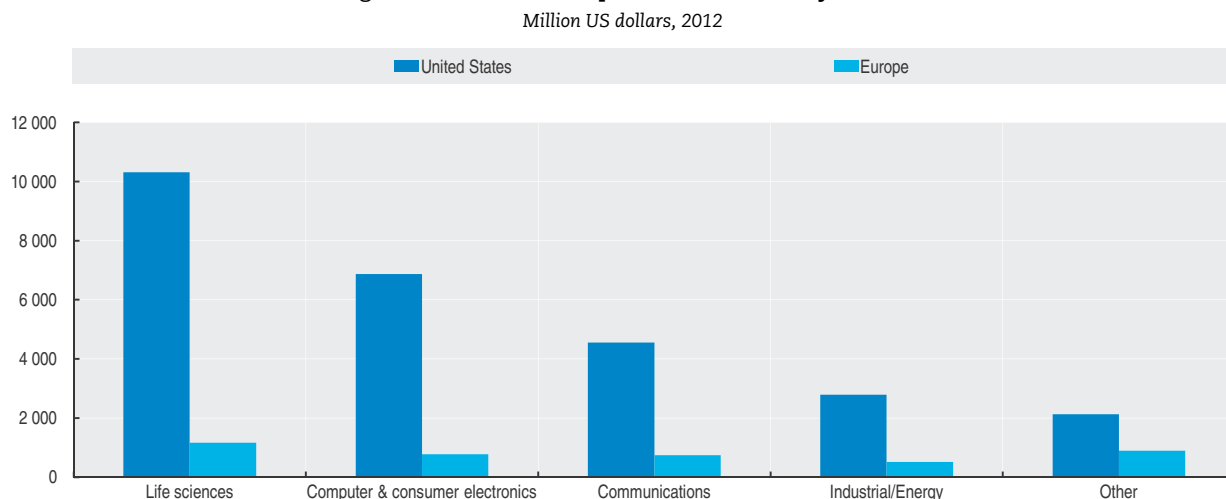
StatLink <http://dx.doi.org/10.1787/888932829647>

Figure 6.13. **Venture capital investments by sector, selected European countries**



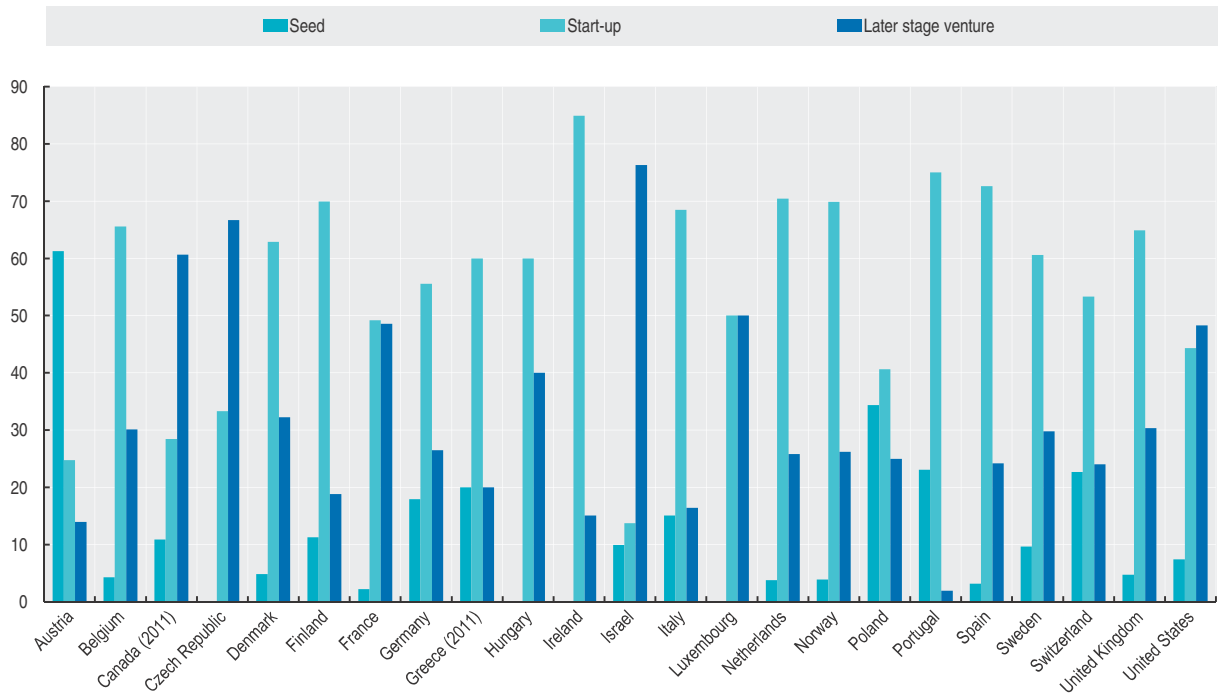
StatLink <http://dx.doi.org/10.1787/888932829666>

Figure 6.14. **Venture capital investments by sector**



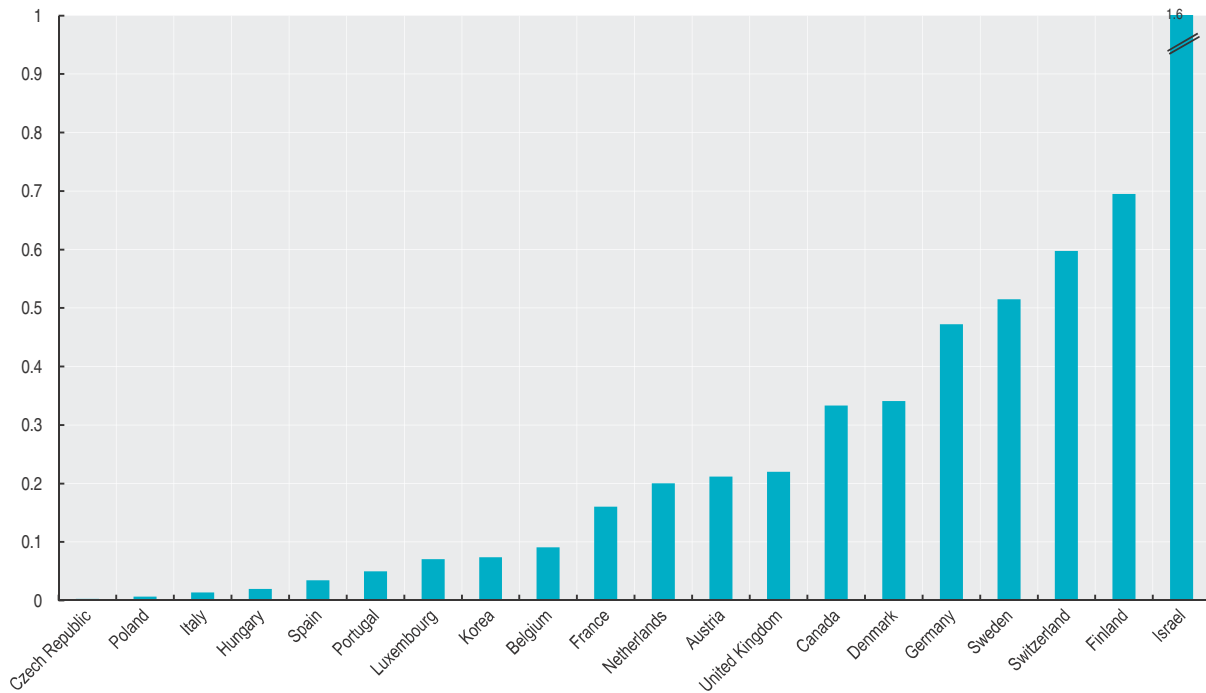
StatLink <http://dx.doi.org/10.1787/888932829685>

Figure 6.15. **Venture capital backed companies by development stage**
Percentage, 2012

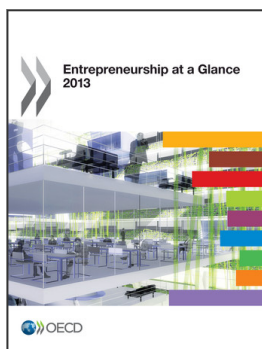


StatLink <http://dx.doi.org/10.1787/888932829704>

Figure 6.16. **Venture capital backed companies rate**
Per 1000 enterprises, 2010



StatLink <http://dx.doi.org/10.1787/888932829723>



From:
Entrepreneurship at a Glance 2013

Access the complete publication at:
https://doi.org/10.1787/entrepreneur_aag-2013-en

Please cite this chapter as:

OECD (2013), "Access to finance: Venture capital", in *Entrepreneurship at a Glance 2013*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/entrepreneur_aag-2013-27-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.