

Regions and venture capital

Entrepreneurship is an important driver of job creation, competitiveness and economic growth. Countries are therefore increasingly implementing policies to attract venture capital (VC) and business angels at the regional level (OECD, 2011). To attract VC into regions with few VC firms and low levels of investment by non-local VC firms, public policies generally attempt to create a favourable environment for entrepreneurship. This focus can help to remove obstacles for a nascent start-up market, including outside established industry clusters, and facilitate the attraction of VC investments.

Evidence suggests that the allocation of VC is geographically concentrated and plays a primary role in fostering entrepreneurial communities. For example, in the United States, a strong concentration of VC in the top 20% regions has increased from 51% in 1995 to 76% in 2014, largely driven by the dominance of a few metropolitan areas with outstanding performance (Figure 2.49). Many of these same metro areas are found in states with a high rate of business R&D intensity (business R&D share in gross domestic product [GDP]).

Regional concentration of VC investment is striking in most countries (Figure 2.50). The top region in 3 of the 6 countries (United States, France and Canada) was host to almost half (between 48% and 49%) of all VC invested in the respective country in 2014. Such top regions in countries distance themselves from other regions in capturing national VC funds. Germany stands out for having a more balanced pattern of VC investment across regions.

The intensity of regional VC expressed as the share of regional GDP also highlights large regional disparities. Overall, the top regions in Spain, the United States and Germany show a greater VC intensity than in other

countries such as France, the United Kingdom and Canada (Figure 2.51). Generally, the shares of VC are between 0.01% and 0.5% of GDP, while in the top regions of Spain, the United States and Germany, those shares constitute 1.3% (Extremadura), 1.2% (California) and 0.8% (Berlin) respectively. In some cases though, the data can give a misleading VC financing picture. Those high regional shares are not always driven by a vibrant entrepreneurial ecosystem. In the case of Extremadura (Spain) or Prince Edward Island (Canada), the top region in 2014 in their respective countries, this is likely due to an unusual volume of investment in a given year combined with a relatively low volume of regional GDP.

Sources

Venture Capital in cities: National Venture Capital Association (NVCA), Business R&D expenditures: OECD (2015), *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/region-data-en>.

Venture Capital in regions: United States: Pricewaterhouse Coopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters, Canada: Canadian Venture Capital and Private Equity Association, Spain: *Asociación Española de Entidades de Capital Riesgo*, Germany: *Bundesverband Deutscher Kapitalbeteiligungsgesellschaften*, United Kingdom: British Private Equity and Venture Capital Association, France: *Association Française des investisseurs pour la croissance*.

Reference years and territorial level

2.49: Metropolitan areas in the map are defined according to the U.S. Office of Budget and Management definition of Metropolitan Statistical Areas.

2.50-2.51: TL2 level. All venture capital data refers to 2014 and Business R&D to 2011.

Further information

OECD (2015), *OECD Science, Technology and Industry Scoreboard 2015: Innovation for growth and society*, OECD Publishing, Paris, http://dx.doi.org/10.1787/sti_scoreboard-2015-en.

OECD (2014), *Entrepreneurship at a Glance 2014*, OECD Publishing, Paris, http://dx.doi.org/10.1787/entrepreneur_aag-2014-en.

OECD (2011), *Financing High-Growth Firms: The Role of Angel Investors*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264118782-en>.

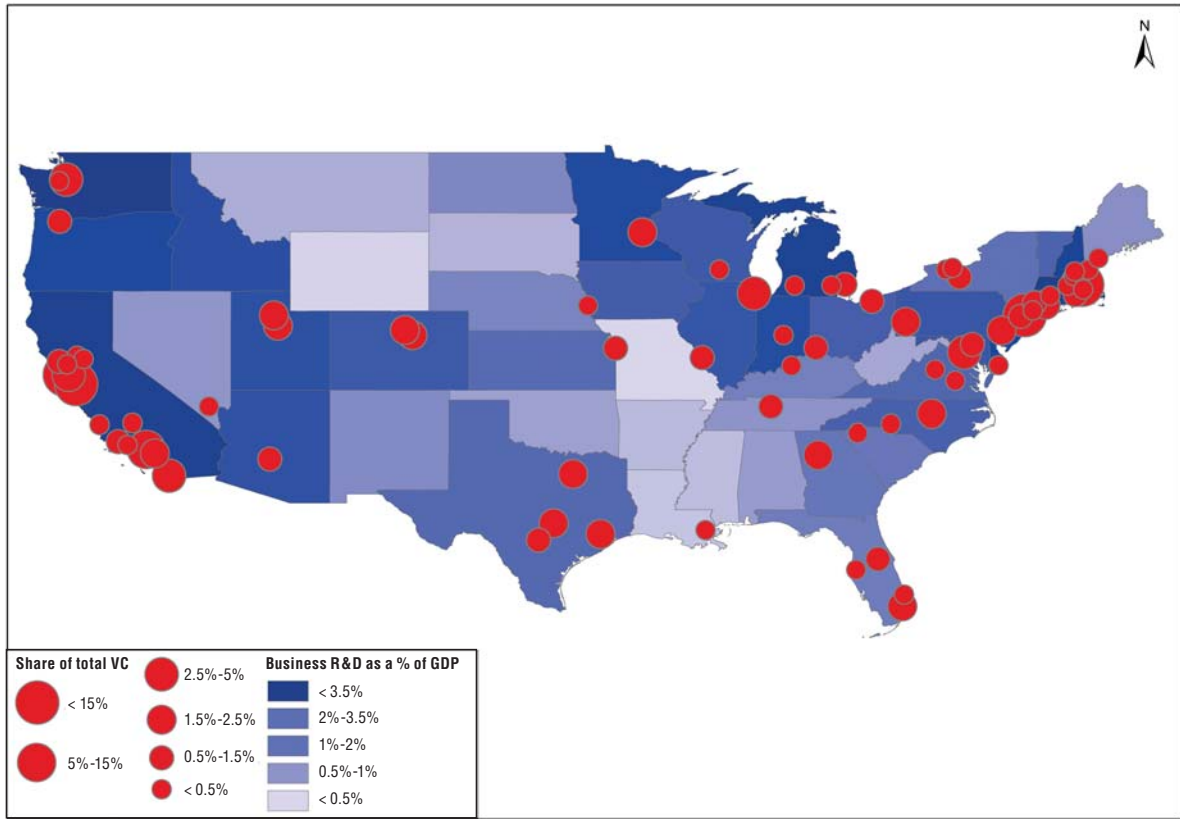
Definition

The top 20% regions are defined as those with the highest value of the indicator until the equivalent of 20% of the national population is reached.

Venture Capital: Private capital provided by specialised firms acting as intermediaries between primary sources of finance (insurance, pension funds, banks, etc.) and private start-up and high-growth companies whose shares are not freely traded on any stock market.

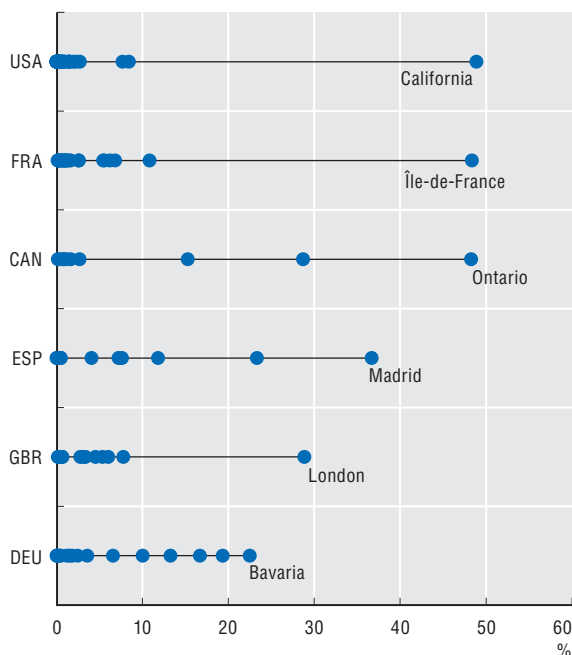
Business Expenditure on R&D (BERD), are R&D expenditures performed in the business sector that include both publicly and privately funded R&D. BERD intensity is expressed as the share of BERD in GDP.

2.49. BERD intensity by state (2011) and concentration of venture capital in metropolitan areas (2014) in the United States



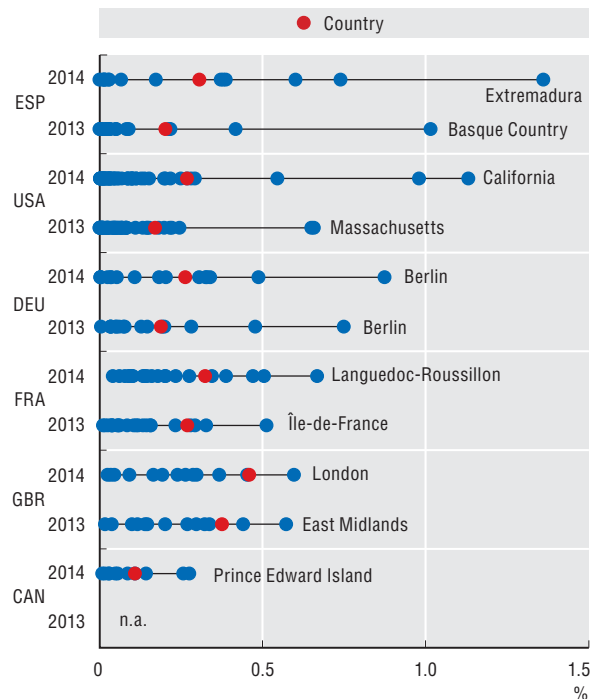
StatLink <http://dx.doi.org/10.1787/888933363461>

2.50. Regional range in the share of total venture capital investments, 2014 (TL2)

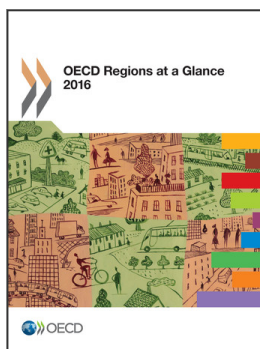


StatLink <http://dx.doi.org/10.1787/888933363471>

2.51. Regional range in venture capital as share of regional GDP, 2014 (TL2)



StatLink <http://dx.doi.org/10.1787/888933363482>



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