

TABLE OF CONTENTS

THE INTERNATIONALISATION OF VENTURE CAPITAL ACTIVITY IN OECD COUNTRIES: IMPLICATIONS FOR MEASUREMENT AND POLICY	3
INTRODUCTION	6
VENTURE CAPITAL ACTIVITY	9
Functioning of venture capital markets	9
Measurement problems	11
Funds raised for private equity / venture capital	13
Total funds raised: "country of management" versus "country of origin"	13
Sources of funds	17
Venture capital investment	18
Total investment: "country of management" versus "country of destination"	18
Investment by stage	25
Investment by sector	28
Investment by stage and sector	30
FACTORS INFLUENCING VENTURE CAPITAL ACTIVITY AND THE IMPLICATIONS OF INTERNATIONAL VENTURE CAPITAL FLOWS	33
The cyclical nature of venture capital markets	33
Implications for government policy	34
The relationship between barriers to entrepreneurship and venture capital activity	38
ANNEX	45
REFERENCES	52
 Boxes	
Box 1: Capital-constrained Gutenberg	6
Box 2: Direct investors	11
Box 3: Government as venture capitalist	35
Box 4: Some government policies affecting the demand for venture capital	38
Box 5: Adjustments of the indicator of barriers to entrepreneurship	41

Figures

Figure 1: Simple framework of underlying factors and the impact of venture capital.....	8
Figure 2: Venture capital markets	10
Figure 3: Breakdown of funds raised for private equity according to the “country of management” and “country of origin” approach, 1999 (as a percentage of GDP).....	17
Figure 4: Share of major sources of funds raised, 1995-99 (as a percentage of total)	18
Figure 5: Breakdown of total private equity investment according to the “country of management” and “country of destination” approach, 1999 (percentage of GDP).....	22
Figure 6: Total private equity investment according to the “country of management” and “country of destination” approach, 1999 (percentage of GDP).....	22
Figure 7: Degree of internationalisation for funds raised and investments, 1999	24
Figure 8: “Country of management” compared to “country of origin” (for funds raised) and “country of destination” (for investment): the case of the United Kingdom, 1999 (USD million)	25
Figure 9: Venture capital investment (“country of management” approach) by stages as a percentage of GDP, 1995-99	26
Figure 10: Venture capital investment (“country of management” approach) in early stages and expansion as a percentage of GDP	27
Figure 11: Investment in early stages and expansion: “country of management” versus “country of destination” approach, 1999 (percentage of GDP).....	28
Figure 12: Share of high-technology sectors in total venture capital investment (“country of management” approach), 1995-99.....	29
Figure 13: Share of high-technology sectors in total venture capital investment (“country of management” approach).....	30
Figure 14: Investment in early stages and expansion (“country of management” approach) and the share of high-technology sectors in total investment, 1995-99	31
Figure 15: Level of entrepreneurial activity, 2000	37
Figure 16: Barriers to entrepreneurship, around 1998.....	40
Figure 17: Barriers to entrepreneurship and underlying variables, around 1998.....	42
Figure 18: Barriers to entrepreneurship (excl. some items) and venture capital activity	44

Tables

Table 1. Main sources of finance by business development stage	9
Table 2: New funds raised for private equity / venture capital (USD billion).....	14
Table 3: Breakdown of European funds raised for private equity according to the “country of management” and “country of origin” approach, 1999 (USD million)	16
Table 4: Total private equity / venture capital investment.....	19
Table 5: Breakdown of European private equity investment according to the “country of management” and “country of destination” approach”, 1999 (USD million)	21
Table 6: Cross-border venture capital investment flows as a percentage of domestic investments	23
Table 7: Availability of different breakdowns of venture capital investment.....	31
Table 8: Actual and hypothetical venture capital investments, 1999	32
Table 9: Formalities for establishing a corporation, around 1998	39