

# Proposals and Developments Regarding Indicators for Entrepreneurship and SME Financing

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BETTER  
UNDERSTANDING



SME  
FINANCING

SME FINANCING  
DATA INITIATIVE

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# A Variety of OECD “Data” Initiatives

- Some key “OECD” entrepreneurship/SME actors:
- CFE = Centre for Entrepreneurship, SMEs & Local Development
  - Analogous to the Small Business Policy Branch
- Statistics Directorate
  - Analogous to Statistics Canada (less centralised)
- International Consortium on Entrepreneurship (ICE)
  - Significant force in stimulating and supporting data
- Activities are surprisingly well coordinated

# A Variety of OECD “Indicators” Initiatives



## Centre for Entrepreneurship and SMEs:

- SME and Entrepreneurship-Related Statistics
- Entrepreneurship Policy Indicators
- **SME and Entrepreneurship Financing**

## Statistics Directorate

- Structural and Demographic Business Statistics
- **Entrepreneurship Indicators Project**

# OECD Global Conference on Better Financing for Entrepreneurship and SME Growth

- Lack of data impedes complete analysis of financial situation of SMEs in OECD & non-OECD countries
  - Substantiated by OECD survey difficulties
- Financing gaps more pervasive in developing countries than in OECD countries
- In OECD economies, banks have developed strategies to reduce risk of loaning to SMEs
- Demand, rather than supply, often at issue
- Innovative SMEs (new products, methods) still have trouble getting financing

# OECD Global Conference on Better Financing for Entrepreneurship and SME Growth

- Traditional bank financing often irrelevant.
- Often the most innovative rely on private equity (different types at different stages)
- This market is still somewhat fuzzy and little understood
- Risk capital industry varies across countries
- Lagging significantly in some areas

# OECD Global Conference: Tech Workshop on Private Equity Definitions and Measures

- Government and private sector views differed
- Analysts expressed need for data “by stage” to understand gaps
- Definitions and data methodologies already exist; international associations have harmonised procedures
- Better communication between government and industry required
- OECD role for facilitating and disseminating international standards and definitions
- Consider what is needed, feasible and useful for policy-makers

# Brasilia Conference Recommendations

- Improve availability of data and the understanding of issues in financing of entrepreneurship and SMEs

OECD should:

- Prepare Handbook of definitions (including financing gap), indicators and statistical methodology for collecting data on supply and demand for financing
- Encourage use of statistical handbook for regular collection of data for policy makers and market actors
- Establish international benchmarks to facilitate comparisons


# SME & Entrepreneurship Financing

- Proposed Programme needs approval of countries
- Also needs funding
- Collaboration of CFE and Statistics Directorate
- Are definitions and data from VC groups adequate?
- ICE and Denmark taking useful initiatives on defining and measuring private equity
- Distinguish needs of Investors, Equity Firms, Entrepreneurs and Policy-Makers
- Who best meets needs of each, and how?
- Canadian and UK survey models for debt financing

# Entrepreneurship Indicators Project

- Policy priority throughout OECD
- No explicit “entrepreneurship” data at NSOs
- Little sustained international data development
- OECD recognised need (Ministerial Meeting-2004)
- Important external prodding and support:
  - Kauffman Foundation of USA
  - International Consortium on Entrepreneurship
- Explored feasibility in 2005/06
- Need to engage countries AND the OECD, in face of other priorities
- Critical mass of support in June 2006

# OECD Programme

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- Facilitate international discussions and agreements
  - Produce a regular Scoreboard or Compendium on Entrepreneurship
  - Focus on data for policy making and monitoring

## STEPS

- OECD Forum for International Entrepreneurship data
- Manual and Framework for measurement
- Collect, compile and publish international data based on existing and new sources
- Cooperate with national & international data producers

# Four Approaches to Data Development

- Exploit existing data in OECD and other databases
- New data collections from NSOs
- Extend harmonization work on firm dynamics
  - OECD/Eurostat Frameworks for Business Demography
  - Harmonised OECD/Eurostat data on firm entry/exit
- OECD co-ordinated surveys
  - Standard, periodic entrepreneurship surveys
  - Extend successful national initiatives
  - Pilot Firm Survey in 2007/08

# International Indicators



## Entrepreneurship

- Composite measures of firm creation and growth
- Harmonised data on start-ups and high-growth
- Self employment, business ownership
- Other measures of entrepreneurial activity

## Determinants and other enabling conditions

- Entrepreneurship education
- Bankruptcy and taxation
- Role of technology and R&D in firms
- Financing - including venture capital
- Regulatory and administrative burden

# Existing Data

- GEM: broad coverage but limited firm information
- World Bank: informative but qualitative
- Eurobarometer and European Observatory
- EIM Compendium of SME/entrepreneurship data
- Numerous national data sets
- Eurostat FoBS; US (Kauffman) Surveys and Index
- Well established firm survey in France; HHLID survey in UK
- UK, Canadian, Eurobarometer surveys on SME financing
- Numerous measures of 'attitudes on entrepreneurship'
- Firm dynamics: Eurostat, OECD, USA
- Policy Indicators being developed by OECD

# Current Status

- Two-year funding by Kauffman Foundation
- 'Special Project' funding by ICE
- OECD contributing data and infrastructure inputs
- Countries contributing experts; pilot surveys
- Additional sponsors still required
- Shortfall of ~€200,000 over 2 years
- Kauffman funding to end in late 2008



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