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FORA

International Consortium for Dynamic
Benchmarking of Entrepreneurship

Quality Assessment
of Entrepreneurship
Indicators

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FORAs mission

FORA ensures a fact-based platform for effective business policy development

FORA enables decision makers to make fact-based decisions that take into account the current and future challenges faced by private enterprises by linking the current state of knowledge to policy making.

FORA's analyses are cutting edge and based on sound research, empirical evidence, public-private dialogue and partnerships with leading knowledge institutions and international organisations. Through dialogue with these key actors, FORA's state-of-the art analyses are situated at the crossroads between the advancing state of knowledge and the shifting challenges faced by private enterprises.

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Quality
Assessment of
Entrepreneurship
Indicators

Version 3

Introduction

Effective decisions and solid policy making require clear, comprehensive and reliable data and information. For this reason, more and more countries have constructed large national indicator systems to measure their current stage and progress in various areas. The overall validity of these efforts depends amongst others on the quality of each of the individual indicators.

This report deals with indicators related to entrepreneurship. The report has three main parts. First, the report briefly introduces a framework for entrepreneurship indicators, which provide a starting point for collecting and analysing entrepreneurship indicators for policy purposes. Second, the paper introduces a quality framework. Third, the report applies this quality framework to grade available entrepreneurship indicators.

All of the discussed indicators are collected in a database, which is available to members of the International Consortium on Dynamic Benchmarking who has financed the work. The Consortium includes Canada, Denmark, Finland, the Netherlands, Norway, Sweden and the United States.

The report has three purposes. First, it aims at providing a comprehensive overview of all available policy relevant indicators relating to entrepreneurship. Second, it rates the quality of each of these indicators in order to enable policy makers to evaluate the quality of policy analysis based on a given set of indicators. Third, the overview combined with the framework can serve as a starting point for future indicator development to ensure new indicators address issues that are need-to-know for policy purposes.

The current report is the third version of the documentation of entrepreneurship indicators. This version has benefited from comments

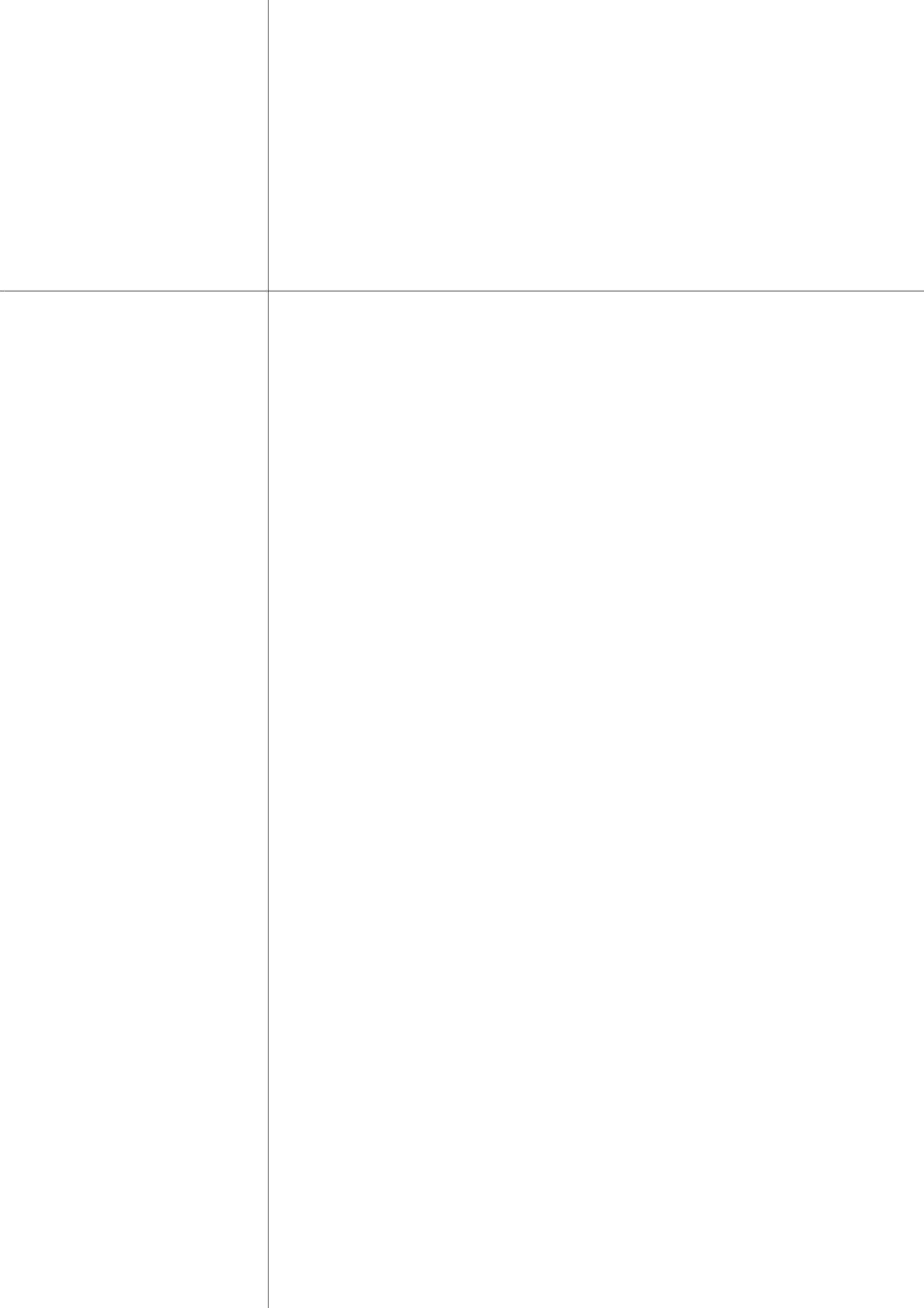
from the Consortium members. A few new indicators are added, some have been removed and a few mistakes have been corrected. All comments are welcome: Anders Hoffmann (ah@ebst.dk).

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A Framework for Entrepreneurship Indicators

Available indicators relating to entrepreneurship measure everything from personal attributes of the entrepreneurs like gender to outcome of the entrepreneurial process like start-up rates. Effective policy thinking requires focus, so this section develops a framework, which divides entrepreneurship indicators into three policy relevant categories. The framework is based on a definition of entrepreneurship that links entrepreneurship to business creation and growth. The framework consequently excludes indicators for social and cultural entrepreneurship.

The categories are:

Performance indicators – include all indicators related to the outcome of the entrepreneurial process, which ideally are directly linked to either productivity growth or job creation. The indicators include measures like number of new firms, growth among new firms and job creation by new firms. These indicators are essential for the analyses and understanding of the macroeconomic effects of entrepreneurship.

All performance indicators can be divided into sub-groups by personal and firm specific characteristics like gender and age of the entrepreneurs. Most of these characteristics cannot be changed by policy but they can nevertheless be important for the performance of the firm. The break-down of performance indicators is essential to the analysis and understanding of differences in success among firms within a given business environment. From a policymaker's perspective the break-down of the performance indicators is often "nice-to-know" rather than "need-to-know."

Business environment indicators – include all indicators relating to changeable factors affecting the success of the entrepreneurs like access to capital, regulation and administrative burdens. The business

environment indicators measure a myriad of underlying environmental and sociological factors, which affect the performance indicators. No single paradigm or definition of what constitutes the business environment exists, but many important contributions to the literature have been made. This paper is based on the framework developed in Gabr and Hoffmann 2006. The theoretical model allows for a further separation of the business environment indicators into five main categories, opportunities, skills, capital, incentives and culture. These indicators are a mix of market outcomes, such as the venture capital market size and the quantification of policies, such as the time creditors can lay claims on assets after a bankruptcy. These indicators are external to the firm and vary across countries or regions. Furthermore, all business environment indicators can be affected by policy action. These indicators are essential to the analysis and the understanding of what drives differences in entrepreneurship performance across countries or regions and thereby the understanding of policy on entrepreneurship.

Context indicators – include indicators related to the overall macroeconomic environment and institutional context like unemployment rate and GDP growth. These indicators cover the “larger picture” of the various economies. These indicators are already available.

The following manual will focus on performance and business environment indicators, as these are most directly relevant to policy and not documented elsewhere.

Quality is defined as “fitness for use” in terms of user needs (OECD, 2003). This definition is broader than has been customary used in the past when quality was equated with accuracy. It is now generally recognised that there are other important dimensions. Even if data is accurate, it cannot be said to be of good quality if it is produced too late to be useful, or cannot be easily accessed, or appear to conflict with other data. Thus, quality is viewed as a multi-faceted concept. The most important quality characteristics depend on user perspectives, needs and priorities, which vary across groups of users.

It is important to note that each indicator must be evaluated in its context; in this case it would be entrepreneurship. Consequently, an indicator used in this quality assessment may be applied and assessed differently in other studies focusing on other issues (for instance, innovation, human resources, etc.). Thus, the quality measure for an indicator is meant to guide the policy maker on issues related to entrepreneurship rather than the statistician.

The quality framework draws on experience from the OECD, Eurostat and the US Key Indicator Project (OECD, 2003; Wallman et al, 2004; Munoz, 2004). The quality framework focuses on three quality dimensions: **relevance, accuracy and availability**. Each indicator is evaluated by grading it for each dimension and by an overall assessment. If considered useful, further qualitative information may be taken into account in the evaluation of the indicator. This implies that room is provided to describe other characteristics which may lead to restricting or increasing the use of a given indicator, relating for example to the complexity of an indicator, to a lack of an unambiguous scientific basis or to the lack of coherence with other existing indicators, etc.

1. Relevance

The relevance of an indicator is a qualitative assessment of the value contributed by the indicator. That is, the evaluation depends on the proximity between what the indicator measures and the framework condition it is supposed to measure. It is desirable for the indicator to be as close as possible to the framework condition it is intended to measure (Table 1.1).

The Indicator's Proximity to the Framework Condition it is Supposed to Measure	Direct Measure	Proxy Measure
Mark	A	B

*Table 2.1
Assessment of Relevance*

An example is the indicator labeled Barriers to Competition. Here the level of legal barriers to entry and number of antitrust exemptions is a direct measure of the level of barriers to competition in existing markets.

Relevance has one more dimension. If an indicator is applied as a measure for a specific policy, it is useful to know whether a policy initiative has a direct or indirect impact on the indicator (Table 1.2).

Policy Initiatives' Impact on Indicator	Direct Impact	Indirect Impact
Mark	A	B

*Table 2.2
Assessment of Policy
Indicator Typology*

For example, for Barriers to Competition changing formal regulation concerning entry barriers and antitrust exemptions will have direct impact on the size of the barriers to competition.

2. Accuracy

The accuracy of an indicator is the degree to which the indicator correctly estimates or describes the quantities or characteristics it is designed to measure. Accuracy has two dimensions: data collection method and degree of cross-country standardisation.

a) Data Collection Method

The data collection method is sound if data correctly estimates or describes the quantities or characteristics that it is designed to measure. Thus, accuracy based on data collection method refers to the closeness between the values provided and the (unknown) true value.

Major sources of error in data collection include coverage, sampling, non-response, response, processing and problems in dissemination. Addressing these standard problems are common for national statistical offices and international governmental institutions. Data from these sources should not suffer, in general, from these problems, whereas data from other sources should be evaluated on a case-by-case basis.

The appraisal of accuracy is based on the method used in collecting the data. Almost all indicators are based on surveys, polls or censuses. This framework distinguishes among three types: fact-based, action-based and opinion-based surveys.

Fact-based surveys relate to easy quantifiable aspects, in which different people would give the same response to a question. The OECD Regulatory Database is an example of this type because respondents are asked about whether or not a country has a given regulation.

Action-based surveys concern issues where respondents are asked if they have performed a given action within a given time period or not. The European Community Innovation Survey is an example of this type of survey. In this survey, firms are asked whether they have introduced new or technologically improved products or processes on the market during the last year.

Opinion-based surveys deal with questions asking for a subjective evaluation of a given aspect of the economy. The World Economic Forum's Executive Survey is an example of this type of survey. It asks executives about their opinion of the functioning and the quality of various aspects of the economy.

The accuracy of data collection methods can be evaluated as very good, good, acceptable (Table 1.3).

Data Collection Method	National statistical offices/ fact-based surveys	Action-based survey	Opinion-based surveys
Mark	A	B	C

Table 2.3
Assessment of Accuracy

These scores can be clarified as follows:

- *Very good*: the indicator originates from national statistical offices or international government institutions; or the indicator stems from a fact-based survey.
- *Good*: the indicator comes from an action-based survey.
- *Acceptable*: the indicator comes from an opinion-based survey.

b) Cross-country Comparability

Whether an indicator is comparable across countries requires consideration as to the method of data collection in the concerned countries. For example, an indicator is comparable if the same question is asked in all the countries in the same way and by the same means. It is desirable to have the highest degree of comparability across countries (Table 1.4).

The Indicator is Crosscountry Comparable	Fully Comparable	Comparable to some extent
Mark	A	B

Table 2.4
Assessment of Cross-Country Comparability

3. Availability

The concept of availability relates to the accessibility of a given indicator in various countries and for a given time frame. It is desirable to have data from as many countries as possible (Table 1.5). In addition, an indicator available beyond the initial benchmark year is better than one that is only available beyond for one year (Table 1.5).

Table 2.5
Assessment of
Availability
Across Countries

The Share of OECD Countries for Which the Indicator is Available	100-76%	75-50%
Mark	A	B

Table 2.6
Assessment of
Availability over
Time

The Number of Years the Indicator is Available for	Beyond the initial benchmark year	The initial benchmark year
	Yes	No
Mark	A	B

4. Overall Quality Assessment

The overall quality assessment is divided into three categories: good, acceptable and questionable (Table 1.7).

Table 2.7
Overall Evaluation

Name of Indicator	Good	Acceptable	Questionable
Indicator A	A	B	C

Clarification of the three indicator score categories:

- *Good (A)*: at least 5 A's and no C's
- *Acceptable (B)*: at least 3 A's and no C's
- *Questionable (C)*: less than 3 A's or one or more C's.

2.1 Gatekeeper Requirements

For an indicator to be included in the Quality Manual it has to fulfill four minimum requirements:

- The Indicator must originate from a reliable source, i.e. from a well-known, verifiable and well-documented source.
- The method for collecting data must be standardised to some ex-

tent across countries in order to increase cross-country comparability based on the indicator.

- The indicator must be available for at least 50 percent of countries in the study.
- The indicator must be interpretable a priori as to whether a high value is to be preferred over a lower value or the other way around.

Part 3

Quality Assessment of Each Indicator - an Overview

This manual focuses on performance and business environment indicators. 4 performance indicators and 66 business environment indicators are included in this year's manual.

The 4 performance indicators are updated and no new performance indicators are added.

32 of the 66 business environment indicators have been updated, 9 are new to the manual and the last 25 are not updated. The new indicators are IPR, Ease of Access to Loans, Venture Capital Availability, Investor Protection, Policies to Promote Entrepreneurship Education, Administrative Burdens on Firm Creation, Burden of Government Regulation, Extent of Incentives Compensation, Ease of Hiring Foreign Labour

Performance indicators - an overview

The performance indicators is lacking in quality (Table 2.1). None of the indicators are evaluated to be of good quality mainly due to a lack of comparability across countries. Entry rates are evaluated to have the highest quality, as these are collected by national statistical agencies and are based on registrar data although differences in definitions exist among countries. All of the performance indicators have been updated.

Indicator	Overall Grade	Relevance		Accuracy		Availability	
		Relevance	Policy Relevant	Data Collection	Comparability	Across Countries	Over time
Entry Rate	B	A	B	A	B	B	A
Total Entrepreneurial Activity	C	B	B	B	B	A	A
Share of High-Growth Firms (Turnover)	B	A	B	A	B	B	A
Share of High-Growth Firms (Empl.)	B	A	B	A	B	B	A

Tabel 3.1
Overall Quality Assessment of Available Entrepreneurship Indicators

Business environment indicators

The business environment indicators can be divided into five main categories - opportunities, capital, abilities, incentives and culture. The division of indicators into the five categories is based on Gabr and Hoffmann, 2006. All categories are measured by at least six indicators (Table 2.2). Updated indicators are marked with * and new indicators are marked with **.

The areas of ability and culture are in most need of further development of indicators. All of the areas of abilities are measured by subjective judgments, which make comparison across countries and time difficult. Culture is also measured by subjective indicators but this is less problematic. The culture component of the model is a judgment of peoples' perception of for example entrepreneurs and risks, which is subjective by nature.

Table 3.2
Overall Quality Assessment of Available Entrepreneurship Indicators

Indicator	Overall Grade	Relevance		Accuracy		Availability	
		Relevance	Policy Relevant	Data Collection	Comparability	Across Countries	Over time
1. Opportunities							
Technology Transfer Regulation							
a. University/Industry Research Collaboration*	C	A	B	C	A	A	A
Entry Barriers							
a. Barriers to Competition	A	A	A	A	A	A	A
b. Public Ownership	A	A	A	A	A	A	A
c. Public Involvement in Business Operation	A	A	A	A	A	A	A
d. IPR**	C	A	B	C	B	A	B
e. Minimum of Capital Required for Starting a Business*	A	A	A	A	B	A	A
Access to Foreign Markets							
a. Import Burdens*	A	A	A	A	A	A	A
b. Export Burdens*	A	A	A	A	A	A	A
2. Capital							
Loans							
a. Private Credit	A	A	B	A	A	A	A
b. Interest Rate Spread*	B	B	B	A	A	A	A
c. Cost to Create Collateral	A	B	A	A	A	A	A
d. Ease of Access to Loans**	C	B	B	C	A	B	A
e. Country Credit Rating*	C	B	B	C	A	A	A
f. Legal Rights Index*	A	B	A	A	A	A	B

Venture Capital							
a. Venture Capital - Early Stage	B	A	B	A	A	A	A
b. Venture Capital - Expansion Stage	B	A	B	A	A	A	A
c. Venture Capital Availability**	C	A	B	C	B	A	B
Exit Markets							
a. Investor Protection**	A	B	A	A	A	A	A
b. Capitalization of Secondary Stock Market	B	A	B	A	A	A	B
c. Market Capitalisation of Newly listed Companies Relative to GDP*	A	A	B	A	A	A	A
d. Capitalisation of Primary Stock Market*	A	A	B	A	A	A	A
e. Turnover in Primary Stock Market*	A	A	B	A	A	A	A
f. Buyouts	B	A	B	A	B	A	B
Wealth and Bequest Taxes							
a. Revenue from Bequest Tax	A	A	A	A	A	A	A
b. Revenue from Net Wealth Tax	A	A	A	A	A	A	A
Capital Taxes							
a. Taxation of Dividends – Top Marginal Tax Rate*	B	B	A	A	A	A	B
b. Taxation of Dividends – Top Marginal Tax Rate for Self-employed	B	B	A	A	A	A	B
c. Taxation of Stock Options	B	A	A	A	A	B	B
d. Taxation of Capital Gains on Shares – Short Term	B	A	A	A	B	A	B
e. Taxation of Capital Gains on Shares – Long Term	B	A	A	A	B	A	B
3. Abilities							
Restart Possibilities							
a. Possibility of a Fresh Start	A	A	A	A	A	A	B
Entrepreneurship Education							
a. Entrepreneurship Education at Primary & Secondary Level*	C	A	B	C	A	A	A

b. Entrepreneurship Education at Higher Levels*	C	A	B	C	A	A	A
c. Policies to Promote Entrepreneurship at Prim. and Sec. Level**	B	A	A	A	A	B	B
Traditional Business Education							
a. Quality of Management Schools*	C	A	B	C	A	A	A
Public Entrepreneurship Infrastructure							
a. Government Programs	C	A	B	C	A	A	A
4. Incentives							
Personal Income Tax							
a. Highest Marginal Income Tax Plus Social Contributions*	A	A	A	A	A	A	A
b. Average Income Tax Plus Social Contributions*	A	A	A	A	A	A	A
Business Tax							
a. SME Tax Rates*	A	A	A	A	A	A	B
b. Taxation of Corporate Income Revenue*	A	A	A	A	A	A	A
Bankruptcy Legislation							
a. Actual Cost to Close a Business*	B	B	A	B	A	A	A
b. Actual Time to Close a Business*	B	B	A	B	A	A	A
c. Bankruptcy Recovery Rate*	A	A	A	A	A	A	A
Administrative Burdens - Start-up							
a. Number of Procedures for Starting a Business*	A	A	A	A	A	A	A
b. Number of Days for Starting a Business*	A	A	A	A	A	A	A
c. Costs Required to Start a Business*	A	A	A	A	A	A	A
Administrative Burdens - Production							
a. Regulatory and Adm. Opacity	A	A	A	A	A	A	A
b. Administrative Burdens on Firm Creation**	A	A	A	A	A	A	A
c. Burdens of Government Regulation**	C	A	B	C	B	A	B

b. Registering Property*	A	A	A	A	A	A	A
c. Procedures, Time and Costs to Build a Warehouse*	A	A	A	A	A	A	A
d. Enforcing Contracts*	A	A	A	A	A	A	A
e. Time it takes to Prepare, File and Pay Corp. Income Tax, the VAT and Social Contributions*	A	A	A	A	A	A	B
Labour Market Regulation							
a. Difficulty of Hiring*	A	A	A	A	B	A	A
b. Difficulty of Firing*	A	A	A	A	B	A	A
c. Ease of Hiring Foreign Labour**	C	B	B	C	B	A	B
d. Extent of Incentive Compensation**	C	B	B	C	B	A	B
e. Rigidity of Hours Index*	A	A	A	A	B	A	A
f. Number of Administrative Procedures when Recruiting First Employee	A	A	A	A	A	A	B
g. Number of Administrative Procedures when Recruiting Additional Employee	A	A	A	A	A	A	B
5. Entrepreneurship Culture							
a. Cultural and Social Norms	C	A	B	C	A	A	B
b. Entrepreneurial Motivation	C	A	B	C	A	A	B
c. Self-employment Preference	C	A	B	C	A	B	A
d. "The wish to own one's own Business"	C	A	B	C	A	B	A
e. Desirability of becoming Self-employed	C	A	B	C	A	B	A
f. Risk for business failure	C	A	B	C	A	B	A

Note: : *indicator updated, **new indicator

Quality Assessment of Each Performance Indicator

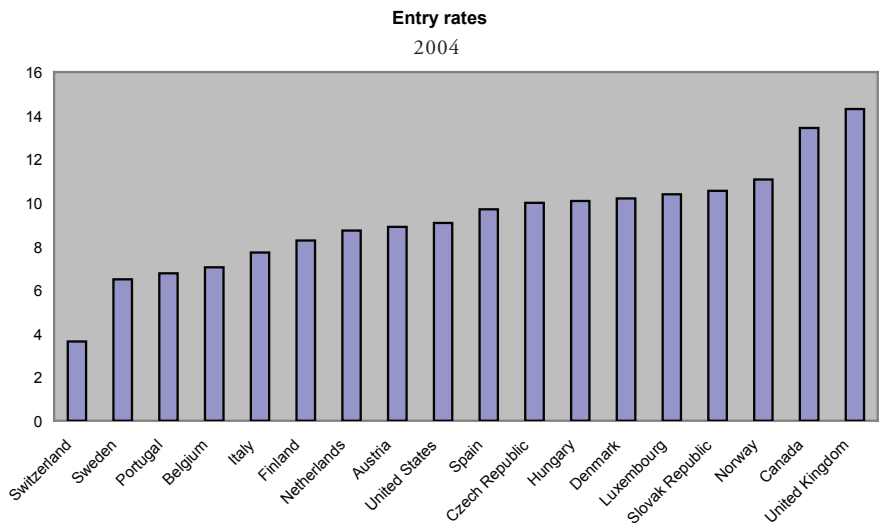
3.1.1 Entry Rates

Definition:

Entry rates are measured by the business demography indicator “Birth Rate of Enterprises”. The indicator measures the number of new enterprises as a share of the company base.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The indicator is a <u>direct</u> measure of the start-up rates of new firms.	A
	<i>b) Assessment of the Type of Policy Indicator</i> Policy focused indicator. Policy initiatives targeted towards improving the environment for new companies will have an <u>indirect</u> impact on the start-up rates.	B
2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originates from Eurostat and is based upon registrar data.	A
	<i>b) Cross-country Comparability</i> <u>Data is not fully comparable</u> since there are cross-country differences in the definition of entry rates.	B
3. Availability	<i>a) Availability across Countries</i> Data is available for 15 OECD countries.	B
	<i>b) Availability over Time</i> The indicator is available for the time period 2001 to 2004 and will be updated.	A

Source	Eurostat, INDUSTRY, TRADE AND SERVICES. Business demography: Birth rate of enterprises. http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/&product=Yearlies_new_industry&depth=3
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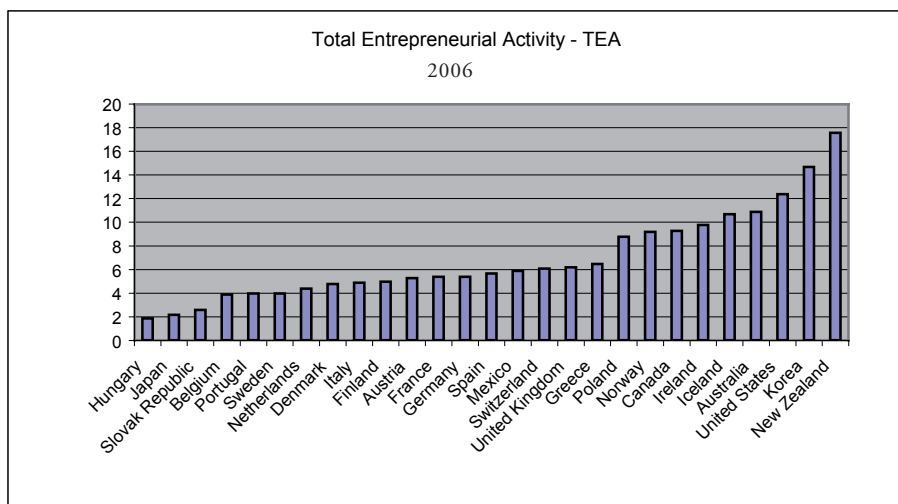
3.1.2 Total Entrepreneurial Activity

Definition:

The TEA index is the combined count of nascent entrepreneurs and new business owners. The indicator measures the share of the population who are starting a new company or runs a new company (a new company is defined as being maximum 3 ½ years old).

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assessment of Relevance</i> The TEA index is an <u>indirect</u> measure of the start-up rates of new businesses.	B
	<i>b) Assessment of the Type of Policy Indicator</i> Policy focused indicator. Policy initiatives targeted towards improving the environment for new companies will have an <u>indirect</u> impact on the total entrepreneurship activity.	B
2. Accuracy	<i>a) Data Collection Method</i> The data is computed from an <u>action</u> -based survey. Interviews are made among a representative section of the 16-64 years old. Data originates from the Global Entrepreneurship Monitor.	B
	<i>b) Cross-country Comparability</i> <u>Data is not fully comparable</u> since there are cross-country differences in how a representative section of the population is selected.	B
3. Availability	<i>a) Availability across Countries</i> Data is available for 23 OECD countries.	A
	<i>b) Availability over Time</i> Data is available for the period 2000 to 2006. Updates are made annually.	A

Source	http://www.gemconsortium.org/download/1182244151046/GEM_2006_Global_Results_Summary_V2.pdf http://www.gemconsortium.org/download/1108555479453/GEM%20Exec%20Tables.pdf
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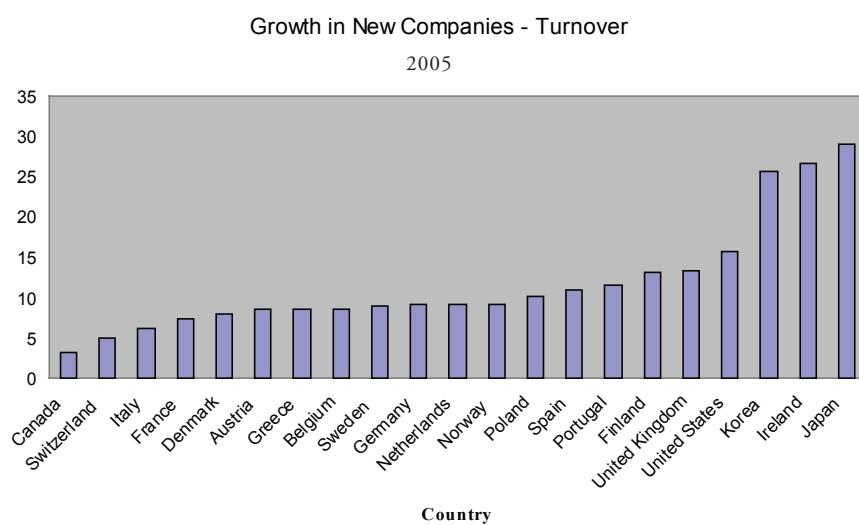
3.1.3 Share of High-Growth Firms (Turnover)

Definition:

The indicator defines high-growth firms (turnover) as the share of firms with a growth rate in turnover higher than 60 % over a three-year period and with a growth rate of at least 20 % each year.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The share of firms with a high-growth in the company turnover is a <u>direct</u> measure of the growth in new companies.	A
	<i>b) Assessment of the Type of Policy Indicator</i> Policy focused indicator. Policy initiatives targeted towards improving the environment for new companies will have an <u>in-direct</u> impact on the companies' growth in turnover.	B
2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data is based upon registrar data and is collected by Bureau Van Dijk (BvD), an electronic publishing firm and documented in Hoffmann and Junge (2006). BvD specialises in cleaning and organising data supplied by national information providers (e.g., Companies House in the UK, INPI in France, National Bank in Belgium).	A
	<i>b) Cross-country Comparability</i> Data is provided from databases that have a different coverage rate of SMEs, which makes a <u>cross-country comparison not fully accurate</u> .	B

3. Availability	<i>a) Availability across Countries</i> Data is available for 20 OECD countries.	B
	<i>b) Availability over Time</i> Data is available for the time period 2002 to 2005. Updates are possible.	A
Source	Author's calculations based on ORBIS database	



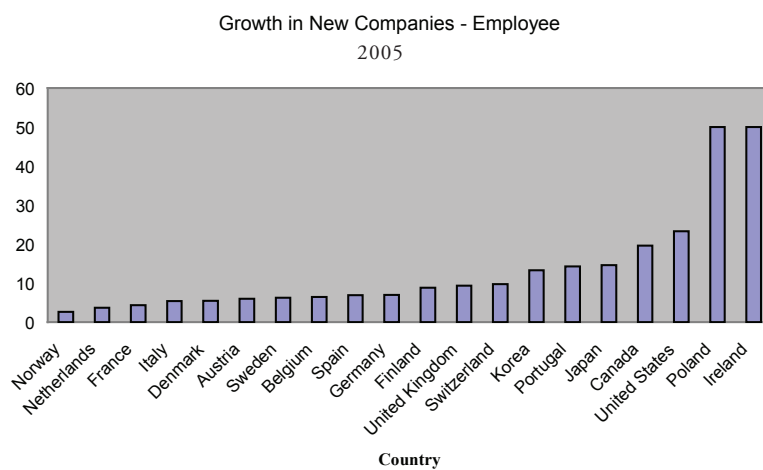
3.1.4 Share of High-Growth Firms (Employees)

Definition:

The indicator defines high-growth firms (employee) as the share of firms with a growth rate in employees higher than 60 % over a three-year period and with a growth rate of at least 20 % each year.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The share of firms with high-growth in employees is a <u>direct</u> measure of the growth in new companies.	A
	<i>b) Assessment of the Type of Policy Indicator</i> Policy focused indicator. Policy initiatives targeted towards improving the environment for new companies will have an <u>in-direct</u> impact on the companies' growth in employees.	B
2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data is based upon registrar data and is collected by Bureau Van Dijk (BvD), an electronic publishing firm and documented in Hoffmann and Junge (2006). BvD specialises in cleaning and organising data supplied by national information providers (e.g., Companies House in the UK, INPI in France, National Bank in Belgium).	A
	<i>b) Cross-country Comparability</i> is provided from databases that have a different coverage rate of SMEs, which makes a <u>cross-country comparison not fully accurate</u> .	B

3. Availability	<i>a) Availability across Countries</i> Data is available for 17 OECD countries.	B
	<i>b) Availability over Time</i> Data is available for the time period 2002 to 2005. Updates are possible.	A
Source	Author's calculations based on ORBIS database	



Quality Assessment of Each Framework Condition Indicator

3.2.1 University/Industry Research Collaboration

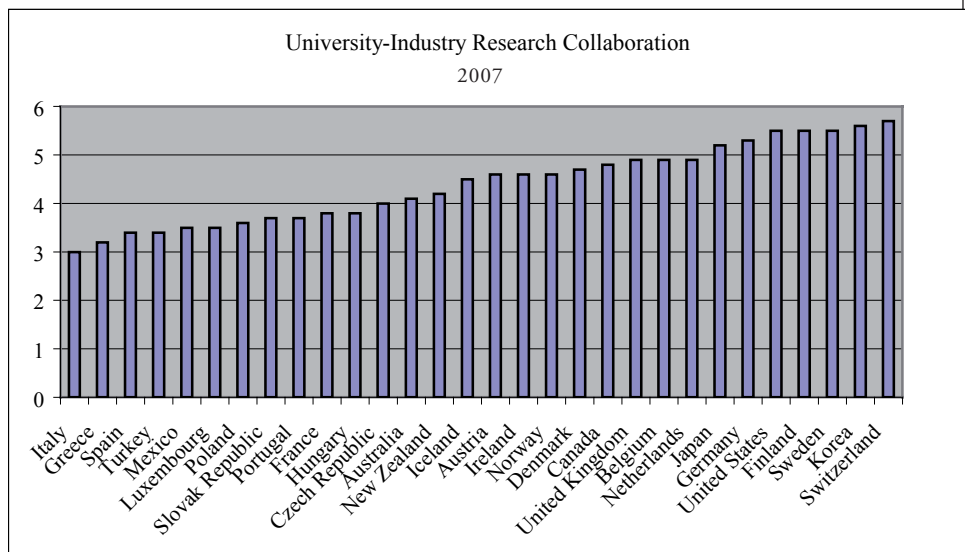
Definition:

The indicator measures business executives' perceptions of the level of collaboration between their firm and local universities when conducting research and development (R&D).

The indicator is based on the Executive Opinion Survey, which is part of the Global Competitiveness Report. Business executives are asked whether their business collaborates with local universities. The ranking goes from 1 (non-existing) to 7 (intensive and ongoing).

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assessment of Relevance</i> The level of R&D collaboration between firms and local universities is a <u>direct</u> measure of an effective knowledge transfer regulation.	A
	<i>b) Assessment of the Type of Policy Indicator</i> Effective collaboration between R&D oriented companies and local universities is an important <u>outcome</u> of an efficient knowledge transfer regulation and, thus, not a direct measure of the regulation per se. Furthermore, the indicator is opinion-based. Policy measures can only have an <u>in-direct</u> impact on the opinions of business executives.	B

2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>opinion</u> -based as the information is provided by leading business executives and entrepreneurs responding to the Executive Opinion Survey, which is part of the Global Competitiveness Report 2003-2004.	C
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same methodology is used in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for 102 industrialised and emerging countries.	A
	<i>b) Availability over Time</i> The indicator is based on a survey disseminated in 2007. It will be updated annually.	A
Source	World WEF, Global Competitiveness Report 2006-2007, table 9.03	



3.2.3 Barriers to Competition

The Indicator consists of two low level indicators called Legal Barriers to Entry (weight 0,3) and Antitrust Exemptions (weight 0,7).

Definition:

Legal barriers indicator: Measures whether national, state or provincial laws or other regulations restrict the number of competitors allowed to operate a business in some markets in 24 manufacturing and service sectors – two response categories (yes = 6 or no = 0) for each sector.

Antitrust exemptions: Measures the scope of exemptions to competition law for public enterprises or government mandated behaviour - two response categories (yes = 6 or no = 0) for each question (Exhibit 1).

Exhibit 1: Questions Covering Antitrust Exemptions

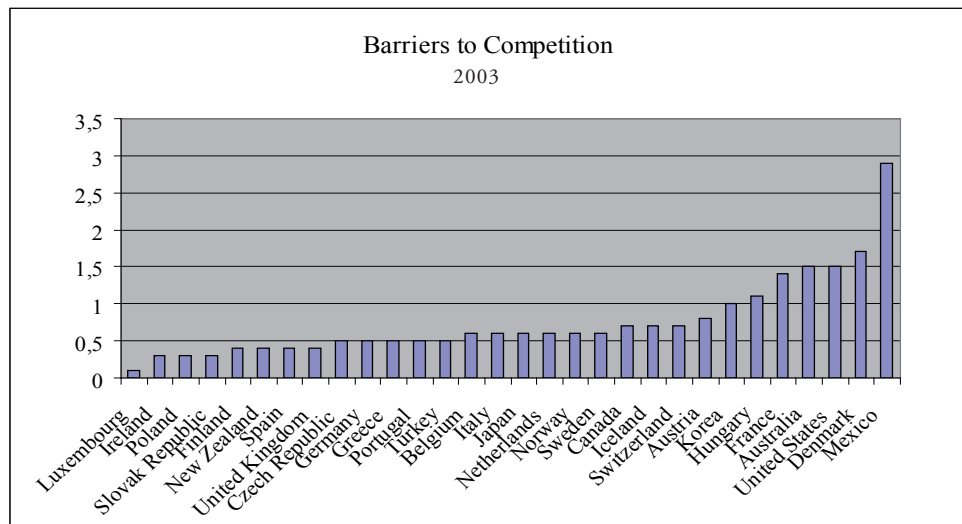
Indicator

Measured by countries' answers to the following four questions (Weighted by % of business sectors in which the state controls at least a firm):

- Is there a rule or principle providing for exclusion or exemption from a liability under the general competition law for conduct that is required or authorized by government authority (in addition to exclusions that might apply to complete sectors)?
- Publicly-controlled firms: Exclusion or exemption from competition law: Cartel & other horizontal?
- Publicly-controlled firms: Exclusion or exemption from competition law: Vertical & abuse of dominance monopolisation.
- Publicly-controlled firms: Exclusion or exemption from competition law: Merger?

Assessment		Grade
Overall		A
1. Relevance	<p><i>a) Assessment of Relevance</i></p> <p>The level of legal barriers to entry and number of antitrust exemptions is a <u>direct</u> measure of <i>the level of barriers to competition in existing markets</i>.</p>	A
	<p><i>b) Assessment of Policy Indicator Typology</i></p> <p>Changing formal regulation concerning entry barriers and antitrust exemptions will have <u>direct</u> impact on the size of the indicator for barriers for competition.</p>	A
2. Accuracy	<p><i>a) Data Collection Method</i></p> <p><u>Fact-based</u> indicator that measures whether or not a country has formal exemptions or formal legal barriers written into laws or regulation.</p> <p>Both indicators are measuring formal regulation, not the quality of regulation or the enforcement of the regulation.</p>	A
	<p><i>b) Cross-country Comparability</i></p> <p><u>Fully comparable</u> – fact-based questions collected and computed using the same methodology in all countries.</p>	A
3. Availability	<p><i>a) Availability across Countries</i></p> <p>The indicator is available for most of the OECD countries (30 countries).</p>	A
	<p><i>b) Availability over Time</i></p> <p>The indicator is available for years 1998 and 2003.</p> <p>The data will not be updated annually. Some of the data may be updated at a later stage.</p>	A

Source	The data is published in OECD reports. http://www.oilis.oecd.org/oilis/2005doc.nsf/43bb6130e5e86e5fc12569fa005d004c/72b2dfdd81a241c5c1256fab008278e5/\$FILE/JT00181518.PDF New data: ECO/WKP(2005)6.
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Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator.

3.2.3 Public Ownership

The indicator consists of three low level indicators **Scope of Public Enterprise Sector** (weight 0,3), **Size of Public Enterprise Sector** (weight 0,3) and **Direct Control over Business Enterprises** (weight 0,4).

Definitions:

Scope of Public Enterprise Sector: Based on responses of OECD Member countries to an ad hoc questionnaire (The OECD Regulatory Indicators Questionnaire). Measures whether national, state or provincial government controls at least one firm in 24 different sectors - two response categories (yes = 6 or no = 0) for each sector.

Size of Public Enterprise Sector measures the overall size of the state-

owned enterprises relative to the size of the economy. The indicator is an OECD estimate based on CEEB 1997 (source not available) and Gary & Larson 1997 (source not available). Index is scaled from 0 to 6 from smallest to largest size.

Direct Control over Business Enterprises measures the existence of government special voting rights in privately-owned firms, constraints on the sale of state-owned equity stakes, and the extent to which legislative bodies control the strategic choices of public enterprises. - two response categories (yes = 6 or no = 0)) for each question (exhibit 1).

Exhibit 1: Questions covering the direct control over business enterprises indicator

General Constraints

- Legal or constitutional constraints to the sale of the stakes held by government in these firms (weighed 0,3).
- Strategic choices of any publicly-controlled firms have to be reviewed and/or cleared in advance by national, state, or provincial legislatures (weighed 0,2).

Golden Shares

- National, state or provincial governments have special voting rights (e.g. golden shares) in any firms within the business sector (weighed 0,25).

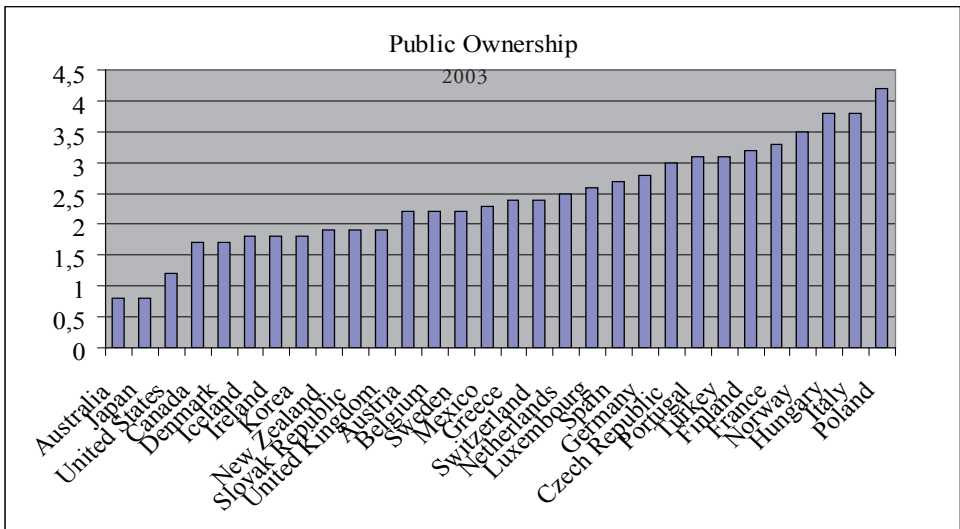
Extent of the Special Voting Rights

- Special rights can be exercised in: (weighed 0,25)
 - o Merger with or acquisition by another company (sub-question weight 0,25).
 - o Change in controlling coalition (sub-question weight 0,25).
 - o Choice of management (sub-question weight 0,25).
 - o Strategic management decisions (sub-question weight 0,25).

The second indicator (Size of Public Enterprise Sector) measures the overall effect of direct and indirect initiatives on the size of the public sector, while the first and third indicator measure formal regulations of public influence in business sector.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The scope and size of the public enterprise sector and the level of direct public control over business enterprises is a <u>direct</u> measure of the level of barriers to competition in existing markets.	A
	<i>b) Assessment of Policy Indicator Typology</i> Low level indicators measure regulation in a <u>direct</u> way. Changing formal regulation concerning scope and size of public enterprise and direct control over business enterprises will have <u>direct</u> impact on the size of the indicator for public ownership.	A
2. Accuracy	<i>a) Data Collection Method</i> <u>Fact-based</u> indicator. Measuring the scope and size of state control in the economy and whether or not a country has special voting rights in privately-owned firms, constraints on the sale of state-owned equity stakes etc. written into laws or regulation. <i>NB: The sources for the second low level indicator (Size of public enterprise sector) have not been checked.</i>	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> , fact-based questions collected and computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the OECD countries (30 countries).	A
	<i>b) Availability over Time</i> The indicator is fact-based and available for years 1998 and 2003. The data will not be updated annually. Some of the data may be updated at a later stage.	A

Source	<p>The data is published in OECD reports. ECO/WKP(1999)18: http://www.oilis.oecd.org/olis/1999doc.nsf/c16431e1b3f24c0ac12569fa005d1d99/5ef586bbe13dd52ac125684a003a8da0/\$FILE/00075836.PDF.</p> <p>New data: ECO/WKP(2005)6.</p>
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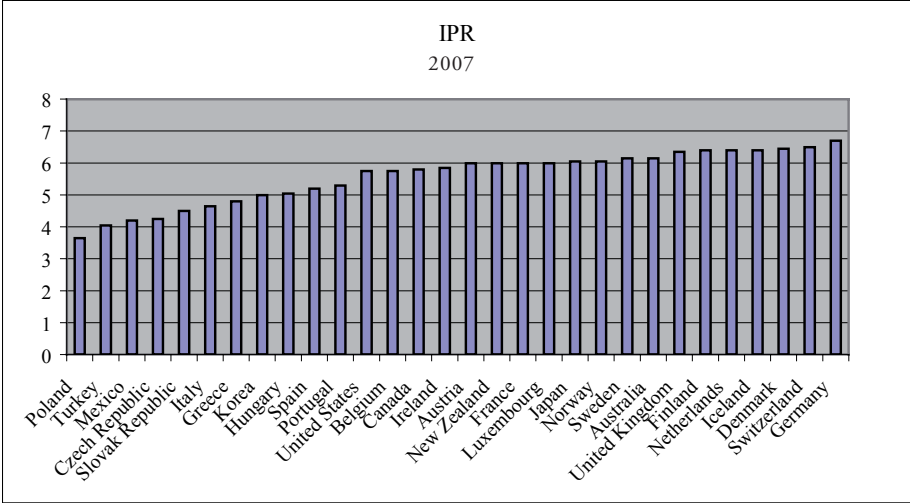
Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.4 IPR

Definition:

Average of the two tabels: 1,01 (Property rights, including over financial assets (1 = are poorly defined and not protected by law, 7 = are clearly defined and well protected by law) og 1,07 Intellectual property protection in your country (1 = is weak or nonexixstent, 7 = is equal to the world's most stringent).

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> IPR is a <u>direct</u> measure of the level of IPR protection across countries.	A
	<i>b) Assessment of Policy Indicator Typology</i> IPR is <u>survey</u> based. Therefore policy initiatives will only have an <u>indirect</u> impact on the indicator.	B
2. Accuracy	<i>a) Data Collection Method</i> Survey-based indicator from WEF's Executive Opinion Survey	C
	<i>b) Cross-country Comparability</i> The indicator is fully comparable across countries	B
3. Availability	<i>a) Availability across Countries</i> Data is available for 125 countries	A
	<i>b) Availability over Time</i> The indicator is updated annually.	B
Source	WEF, The Global Competativeness Report 2006 - 2007, Table 1,01 og 9,07	



3.2.5 Public Involvement in Business Operation

The indicator consists of the two low level indicators **Use of Command and Control Regulation** (weight 0, 55) and **Price Controls** (weight 0, 45).

Definition:

Use of command and control regulation: indicates the extent to which government uses coercive (or incentive-based) regulation in general and in specific service sectors – two response categories (yes = 0 or no = 6) for each question (Exhibit 1).

Price controls: reflects the extent of price controls in specific sectors. The indicator includes sector specific information – two response categories (yes/no) for each question (Exhibit 2).

Exhibit 1: Questions Covering the Use of Command and Control Regulation Indicator

Questions	Coding of answers	
	Yes	No
General information		
• Regulations are required to assess alternative policy instruments (regulatory and non-regulatory) before adopting new regulation.	0	6
• Guidance has been issued on using alternatives to traditional regulation.	0	6
Sector-specific information		
<i>Road Freight</i>		
• Regulations prevent or constrain backhauling (picking up freight on the return leg).	6	0
• Regulations prevent or constrain private carriage (transport only for own account).	6	0

<ul style="list-style-type: none"> Regulations prevent or constrain contract carriage (contractual relation between an otherwise independent hauler and one shipper). 	6	0
<ul style="list-style-type: none"> Regulations prevent or constrain inter modal operations (operating or ownership links between firms in different transportation sectors). 	6	0
<i>Retail Distribution</i>		
<ul style="list-style-type: none"> Shop opening hours are regulated. 	6	0
<ul style="list-style-type: none"> Government regulations on shop opening hours apply at national level. 	6	0
<ul style="list-style-type: none"> The regulation of opening hours have become more flexible in the last 5 years. 	0,5 ¹	0
<i>Air Travel</i>		
<ul style="list-style-type: none"> Carriers operating on domestic routes are subject to universal service requirements (e.g. obligation to serve specified customers or areas). 	6	0
<i>Railways</i>		
<ul style="list-style-type: none"> Companies operating the infrastructure or providing railway services are subject to universal service requirements (e.g. obligation to serve specified customers or areas). 	6	0

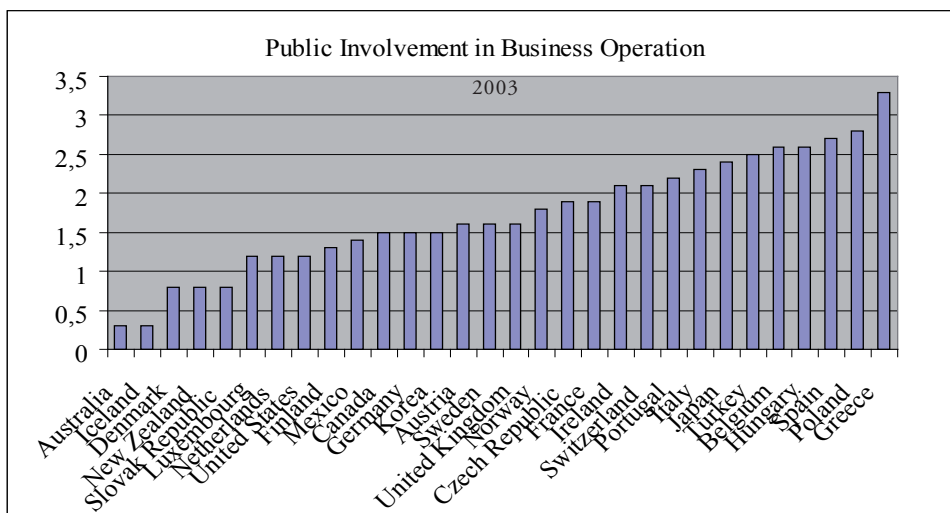
1 If answer is yes, 0,5 is subtracted from the industry-specific score.

Exhibit 2:		
Questions Covering the Price Controls Indicator		
Questions	Coding of answers	
	Yes	No
Air Travel		
<ul style="list-style-type: none"> Prices of domestic air fares are regulated. 	6	0
<ul style="list-style-type: none"> 5 or 4 busiest international routes subject to price regulation 	(n/5)*6 or	(n/4)*6

Road Freight		
• Retail prices of road freight services are regulated in any way by the government.	6	0
• Government provides pricing guidelines to road freight companies.	6	0
• Professional bodies or representatives of trade and commercial interests are involved in specifying or enforcing pricing guidelines or regulations.	6	0
Retail Distribution		
• Retail prices of the following products are subject to price controls:		
• - Retail prices of certain staples (e.g. milk and bread).	6	0
• - Retail prices of gasoline.	6	0
• - Retail prices of tobacco.	6	0
• - Retail prices of alcohol.	6	0
• - Retail prices of pharmaceuticals.	6	0
• - Retail prices of other product.	6	0
Telecommunication		
• Retail prices of digital mobile service in telecommunications are regulated.	6	0

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The use of price controls and command and control regulation is a <u>direct</u> measure of <i>the level of barriers to competition in existing markets.</i>	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulation concerning price controls and use of command and control regulation will have <u>direct</u> influence of the size of the indicator for barriers for public involvement in business operation.	A

2. Accuracy	<i>a) Data Collection Method</i> Fact-based indicator. Measuring whether or not a country has price controls and use of command and control regulation written into laws or regulation.	A
	<i>b) Cross-country Comparability</i> Fully comparable fact-based questions collected and computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the OECD countries.	A
	<i>b) Availability over Time</i> The indicator is fact-based and available for year 1998 and 2003. The data will not be updated annually. Some of the data may be updated at a later stage.	A
Source	The data are published in OECD reports. ECO/WKP(1999)18. Available online: http://www.oilis.oecd.org/oilis/1999doc.nsf/c16431e1b3f24c0ac12569fa005d1d99/5ef586bbe13dd52ac125684a003a8da0/\$FILE/00075836.PDF . New data: ECO/WKP(2005)6.	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.6 Minimum of Capital Required for Starting a Business

Definition:

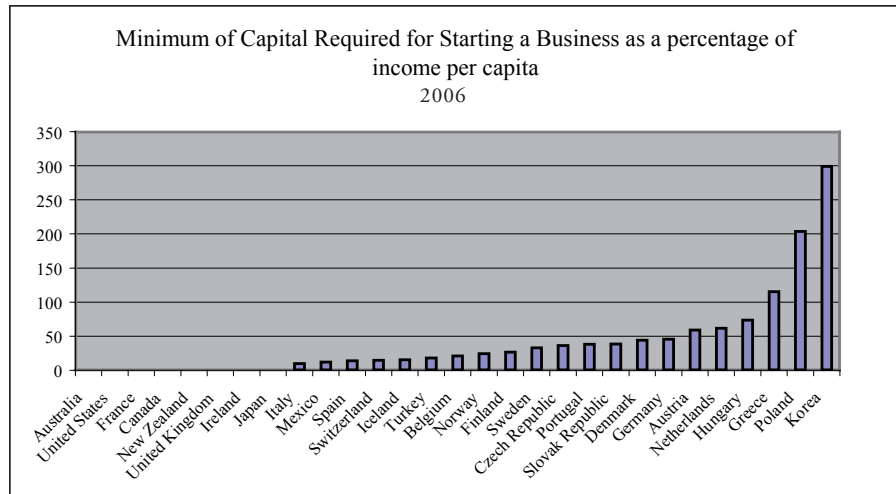
The indicator measures the paid-in minimum of capital requirement that the entrepreneur needs to deposit in a bank before registration of the business starts (Exhibit 1). The amount of capital is recorded as a percentage of the country's income per capita.

Exhibit 1

This indicator assumes that the business:

- Is a limited liability company.
- Operates in the country's most populous city.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita at the end of 2005, paid in cash.
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. It does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. The business is not using heavily polluting production processes.
- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has up to 50 employees 1 month after the commencement of operations, all of them nationals.
Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

Assessment	Grade
Overall	A
1. Relevance	<p data-bbox="376 349 997 394"><i>a) Assessment of Relevance</i></p> <p data-bbox="376 394 997 562">The indicator is a <u>direct</u> measure of a potential entry barrier an entrepreneur must overcome to incorporate and register a new firm.</p> <p data-bbox="376 562 997 734"><i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the capital requirement will have a <u>direct</u> impact on entry barriers.</p>
2. Accuracy	<p data-bbox="376 734 997 869"><i>a) Data Collection Method</i> The data is <u>fact-based</u>. Data originating from the World Bank.</p> <p data-bbox="376 869 997 1249"><i>b) Cross-country Comparability</i> Many countries have a minimum capital requirement but allow businesses to pay only part of it before registration, with the rest to be paid after the first year of operation. Countries that follow this procedure naturally have a lower paid-in minimum of capital requirement. The indicator is therefore <u>comparable to some extent</u>.</p>
3. Availability	<p data-bbox="376 1249 997 1417"><i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.</p> <p data-bbox="376 1417 997 1550"><i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.</p>
Source	<p data-bbox="376 1550 997 1646">http://www.doingbusiness.org/ExploreTopics/StartingBusiness/Default.aspx?direction=desc&sort=4</p>



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.7 Import Burdens

Definition:

The indicator is an average of three measurements: 1) Number of all documents required to import the goods, 2) Number of signatures required to import the goods, 3) Time necessary to comply with all procedures required to import goods (Exhibit 1).

The three sub-indicators have been normalized on a scale from 1 to 100 before taking the average and thereby constructing the indicator.

Exhibit 1

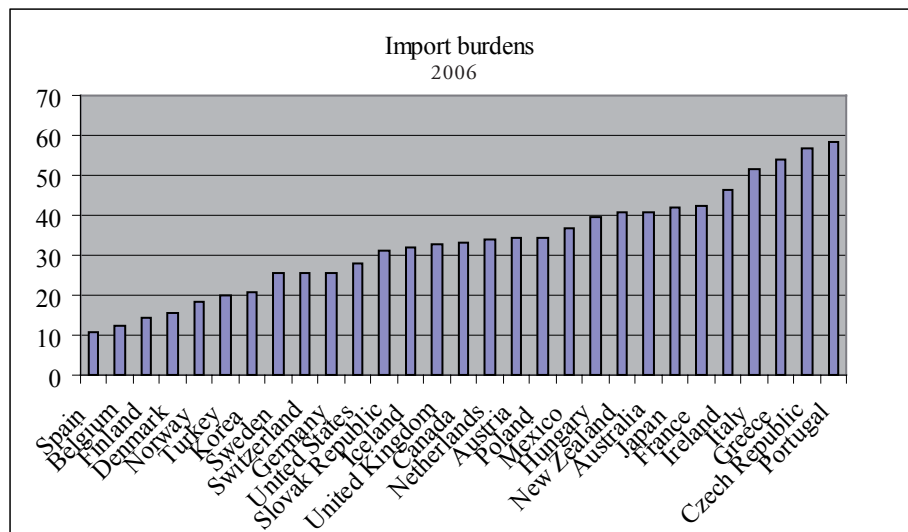
The indicator assumes the following in regards to the business and the importing process:

- The business:
 - o Has 200 or more employees.
 - o Is located in the country's most populous city.
 - o Is a private, limited liability company. It does not operate within an export processing zone or an industrial estate with special export or import privileges.
 - o Is domestically owned with no foreign ownership.
 - o Exports more than 10% of its sales.
- The traded product travels in a dry-cargo, 20-foot, full container load. The product:

- o Is not hazardous nor does it include military items.
- o Does not require refrigeration or any other special environment.
- o Does not require any special phytosanitary or environmental safety standards other than accepted international standards.
- All documents required to export and import the goods are recorded. It is assumed that the contract has already been agreed upon and signed by both parties. Documents include bank documents, customs declaration and clearance documents, port filing documents, import licenses and other official documents exchanged between the concerned parties. Documents filed simultaneously are considered different documents but with the same time frame for completion.
- Time is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous for the purpose of measuring time. The waiting time between procedures (for example, during unloading of the cargo) is included in the measure.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The size of import burdens is a <u>direct</u> measure of an entrepreneur's access to foreign markets.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the import burdens will have a <u>direct</u> impact on entrepreneurs' access to foreign markets.	A

2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originating from the World Bank.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> - collected and computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/TradingAcrossBorders/	



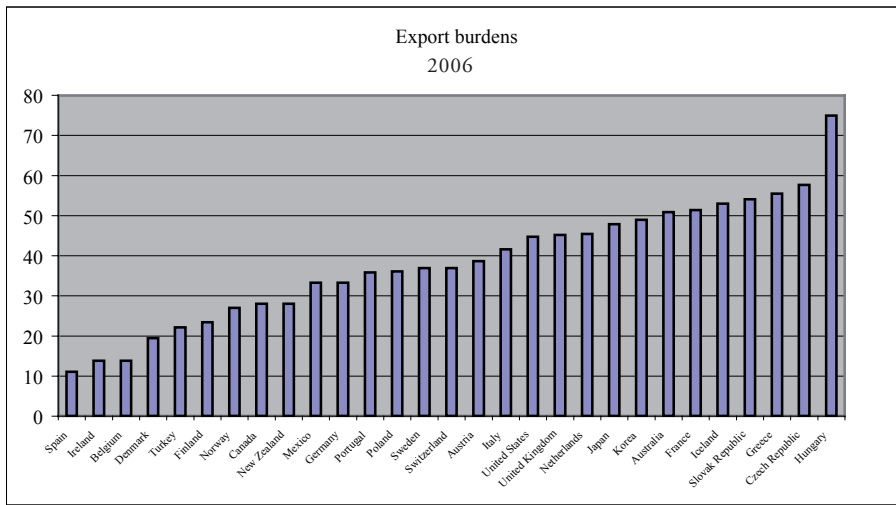
Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.8 Export Burdens

Definition:

The indicator is an average of three measurements: 1) Number of all documents required to export the goods, 2) Number of signatures required to export the goods, 3) Time necessary to comply with all procedures required to export goods (see Exhibit 1 for the indicator import burdens). The three sub-indicators have been normalized on a scale from 1 to 100 before taking the average and thereby constructing the indicator.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The indicator is a <u>direct</u> measure of an entrepreneur's access to foreign markets, namely export burdens.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the export burdens will have a <u>direct</u> impact on entrepreneurs' access to foreign markets.	A
2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originating from the World Bank.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> - computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/TradingAcrossBorders	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.9 Private Credit

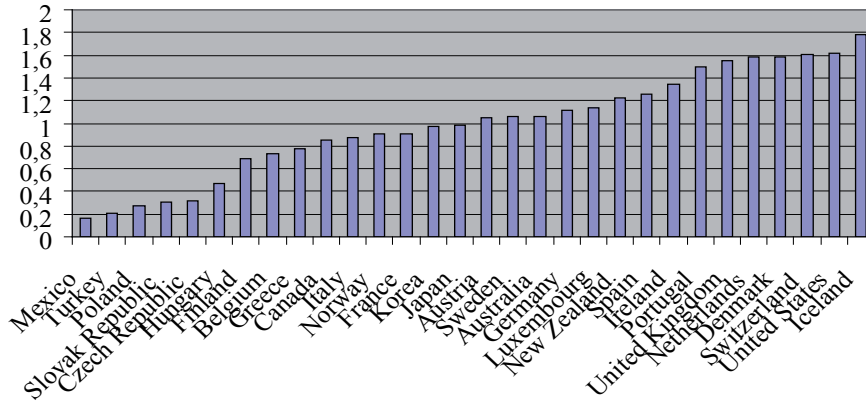
Definition:

The indicator measures the ratio of credit towards the private sector from deposit-taking financial institutions relative to GDP.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The ratio of private credit relative to GDP is <u>direct</u> measure of the supply of debt-capital.	A
	<i>b) Assessment of Policy Indicator Typology</i> The ratio of private credit relative to GDP is the <u>outcome</u> of an efficient policy framework for getting access to capital and thus not a direct measure of the regulation per se. Policy initiatives will only have an <u>indirect</u> impact on an indicator measuring the outcome of regulation.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same methodology is used in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is updated annually.	A
Source	The indicator is updated annually by FORA based on data from IMF International Financial Statistics. Available online: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=637301 .	

Private Credit

2004

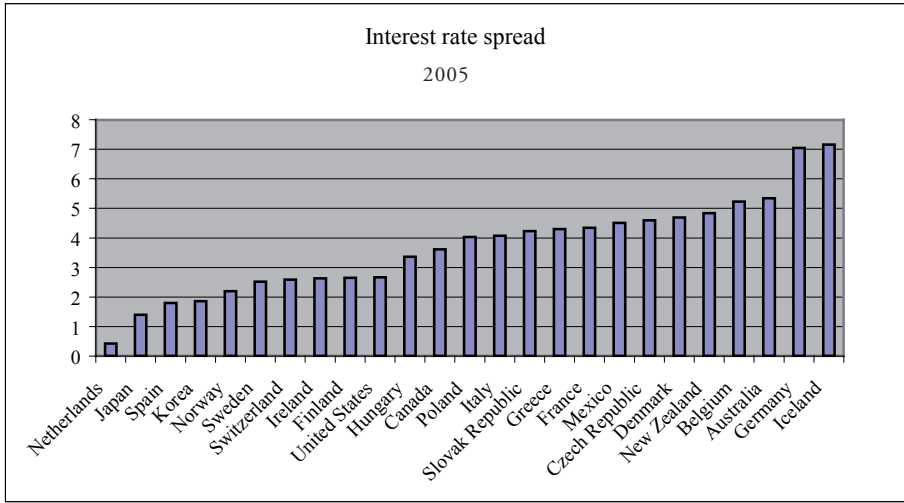


3.2.10 Interest Rate Spread

Definition:

The indicator measures the lending rate minus deposit rate based on an average of annual rates for each country.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The interest rate spread reflects the level of price competition in the credit markets, but is only a <u>proxy</u> measure of the supply and accessibility of debt-capital.	B
	<i>b) Assessment of Policy Indicator Typology</i> The interest rate spread relative to GDP is the <u>outcome</u> of an efficient policy framework for capital markets and thus not a direct measure of the regulation <i>per se</i> . Policy initiatives will only have an <u>indirect</u> impact on an indicator measuring the outcome of regulation.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same methodology is used in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is accessible for the years 1995 - 2005 and will be updated annually.	A
Source	The data is derived from International Financial Statistics (IFS) published by IMF and national sources. Available online: http://ifs.apdi.net/imf/ifsBrowser.aspx?Entry=0050492_PUB&sType=other&QueryType=other&ShowSeries=True .	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

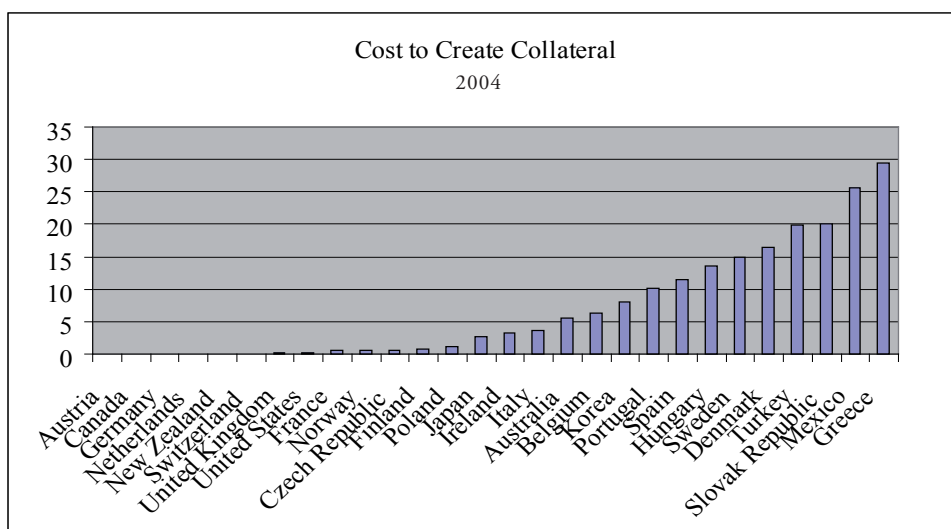
3.2.11 Cost to Create Collateral

Definition:

The indicator measures the creditor's cost associated with creating and registering collateral. The cost measure is presented as a percentage of income per capita.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The cost to create collateral is a direct measure of the ease of creating and registering collateral, which would make creditors more motivated to assist entrepreneurs but it is only a <u>proxy</u> measure of the supply and accessibility of debt capital.	B
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulation (collateral and insolvency laws) will have <u>direct</u> impact on the size of the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based and is based on research on collateral and insolvency laws, and responses to a World Bank survey on secured transactions laws.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The data is based on standardised case and based on research of collateral and insolvency laws and responses to a survey on secured transactions laws, developed with input and comments from experts, including from the Center for Economic Analysis of Law, the International Bar Association Committee E8 on Financial Law, and the European Bank for Reconstruction and Development.	A

3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries.	A
	<i>b) Availability over Time</i> The indicator will be updated annually.	A
Source	World Bank - Doing Business. Available online: http://rru.worldbank.org/DoingBusiness/Explore-Topics/GettingCredit/CompareAll.aspx .	



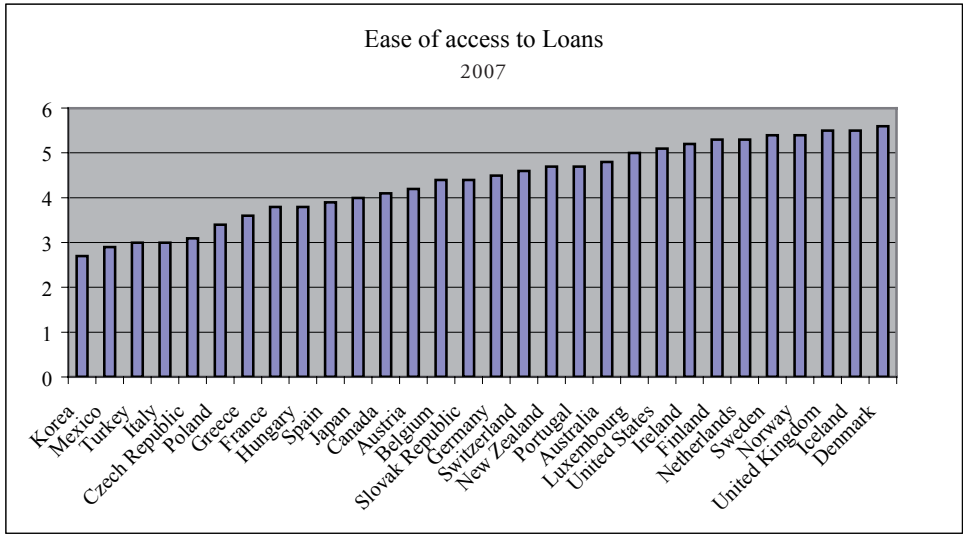
Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.12 Ease of Access to Loans

Definition:

The indicator is based on a survey questionnaire and measures how easy it is to obtain a bank loan in your country with only a good business plan and no collateral (1 = impossible, 7 = easy).

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> Ease of access to bank loans is an indirect measure of the ease with which entrepreneur's may obtain loans.	B
	<i>b) Assessment of Policy Indicator Typology</i> Ease of access to bank loans is survey based and therefore policy initiatives in the area only will have an <u>indirect</u> effect.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is based on WEF's Executive Opinion Survey.	C
	<i>b) Cross-country Comparability</i> Data is fully comparable across countries.	A
3. Availability	<i>a) Availability across Countries</i> Data is available for 125 countries	A
	<i>b) Availability over Time</i> The indicator will be updated annually.	B
Source	WEF, The Global Competitiveness Report 2006-2007, Table 6,20	



3.2.13 Country Credit Rating

Definition:

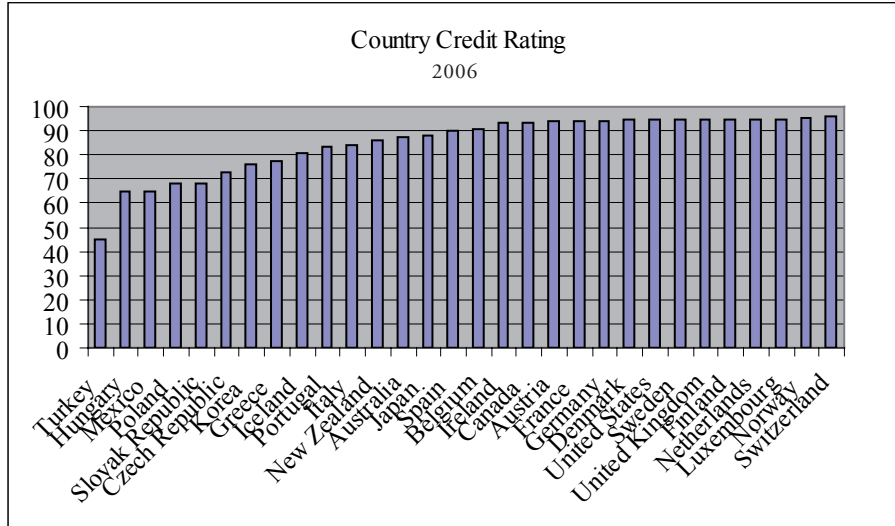
The indicator measures the country credit rating, which is based on an assessment by the Institutional Investor Magazine Ranking.

The ranking goes from 1 (worst) to 100 (best).

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assessment of Relevance</i> Country credit rating indicates the risks of lending capital to specific countries, but it is only a <u>proxy</u> measure of the supply and accessibility of debt-capital to individual entrepreneurs.	B
	<i>b) Assessment of Policy Indicator Typology</i> The country credit rating is the <u>outcome</u> of individual investor's assessments of each country's credibility. Policy initiatives will only have an <u>indirect</u> impact on other people's assessment of each country's credibility.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>opinion</u> -based as information is provided by senior economist and sovereign risk analysts at leading global banks and money management and securities firms.	C
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same methodology is used in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for 60 industrialised and emerging countries.	A
	<i>b) Availability over Time</i> The indicator will be updated annually.	A

Source

The data is published by the Institute for Management Development (IMD), Competitiveness Yearbook 2006, Switzerland, Sources Institutional Investor, September 2005. <http://www.worldcompetitiveness.com/OnLine/App/Index.htm>



3.2.14 Legal Rights Index

Definition:

Legal Rights Index measures the degree to which collateral and bankruptcy laws facilitate lending (exhibit 1).

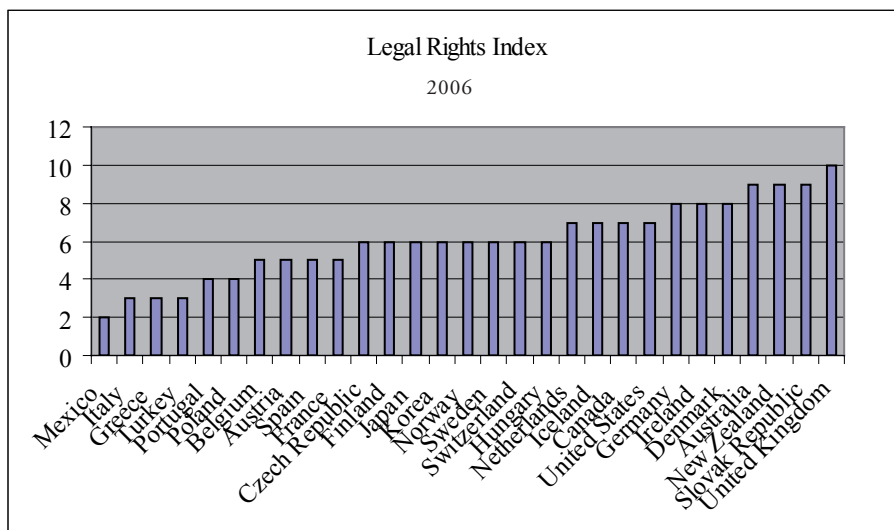
The index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit.

Exhibit 1

The index includes 7 aspects related to legal rights in collateral law and 3 aspects in bankruptcy law. A score of 1 is assigned for each of the following features of the laws:

- General rather than specific description of assets is permitted in collateral agreements.
- General rather than specific description of debt is permitted in collateral agreements.
- Any legal or natural person may grant or take security in the property.
- A unified registry operates that includes charges over movable property
- Secured creditors have priority outside of bankruptcy.
- Secured creditors, rather than other parties such as government or workers, are paid first out of the proceeds from liquidating a bankrupt firm.
- Secured creditors are able to seize their collateral when a debtor enters reorganization; there is no “automatic stay” or “asset freeze” imposed by the court.
- Management does not stay during reorganization. An administrator is responsible for managing the business during reorganization.
- Parties may agree on enforcement procedures by contract.
- Creditors may both seize and sell collateral out of court without restriction.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The Legal Rights Index is an <u>indirect</u> measure of entrepreneurs' access to capital through loans. Higher protection of borrowers and lenders rights facilitates the lending process.	B
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulations will have a <u>direct</u> impact on the legal rights index.	A
2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originating from the World Bank.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> - computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	B
Source	http://www.doingbusiness.org/CustomQuery/	



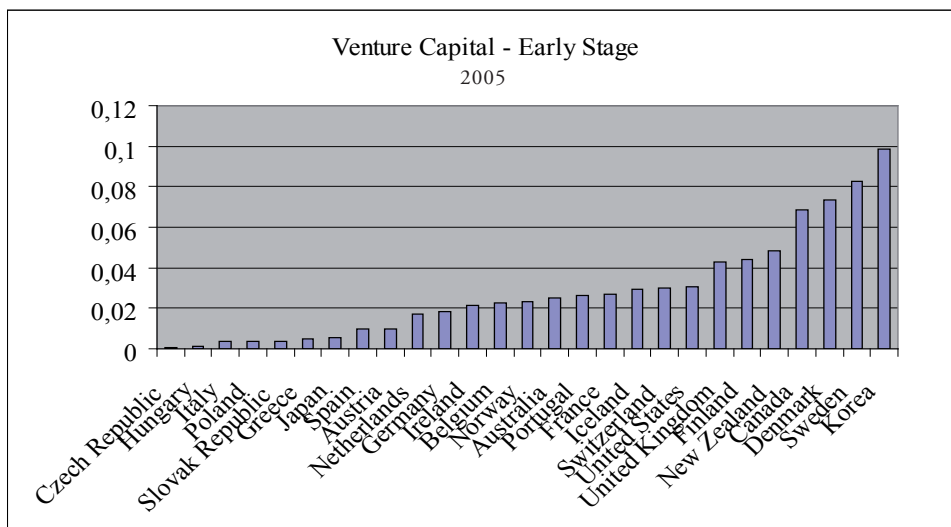
3.2.15 Venture Capital - Early Stage

Definition:

The indicator measures the total early stage venture capital investment per year as a share of GDP.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The amount of early stage venture capital is a <u>direct</u> measure of the supply of early stage venture capital in each country.	A
	<i>b) Assessment of Policy Indicator Typology</i> Although the government can take initiatives to build up new national venture funds via direct investments, the amount of early stage venture capital is primarily the <u>outcome</u> of an efficient policy framework for venture capital markets and thus not a direct measure of the regulation per se. Policy initiatives will only have an <u>indirect</u> impact on an indicator measuring the outcome of regulation.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based.	A
	<i>b) Cross-country Comparability</i> <u>Comparable to some extent.</u> The definition of expansion stage versus other stages may vary from country to country. The data for the US is not directly comparable to the data from the other countries as only part of the US expansion capital investment is included.	B

3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available from 1998 to 2004. The data will not be updated every year.	A
Source	Data for European countries: Eurostat 2006, Data for the US: NVCA, Data for Australia: AVCA. Link for EU: http://epp.eurostat.cec.eu.int/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=Yearlies_new_science_technology&root=Yearlies_new_science_technology/I/I4/ir061	



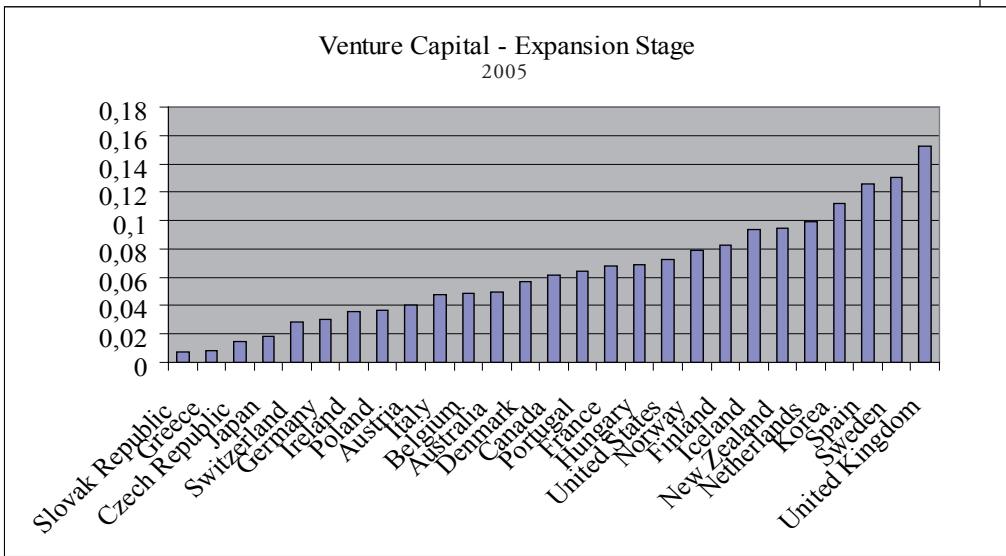
3.2.16 Venture Capital - Expansion Stage

Definition:

The indicator measures the total expansion stage venture capital investment per year as a share of GDP.

Assessment		Grade
Overall		B
1. Relevance	<p><i>a) Assessment of Relevance</i> The amount of expansion stage venture capital is a <u>direct</u> measure of the supply of expansion stage venture capital in each country.</p>	A
	<p><i>b) Assessment of Policy Indicator Typology</i> Although the government can take initiatives to build up new national venture funds via direct investments, the amount of expansion stage venture capital is primarily the <u>outcome</u> of an efficient policy framework for venture capital markets and thus not a direct measure of the regulation per se. Policy initiatives will only have an <u>indirect</u> impact on an indicator measuring the outcome of regulation.</p>	B
2. Accuracy	<p><i>a) Data Collection Method</i> The indicator is fact-based.</p>	A
	<p><i>b) Cross-country Comparability</i> <u>Comparable to some extent.</u> The definition of early stage versus other stages may vary from country to country.</p>	B
3. Availability	<p><i>a) Availability across Countries</i> The indicator is available for all OECD countries.</p>	A
	<p><i>b) Availability over Time</i> The indicator is available from 1998 to 2003. The data will not be updated every year.</p>	A

Source	<p>Data for European countries: Eurostat 2006, Data for the US: NVCA, Data for Canada: CVCA, Data for Australia: AVCA.</p> <p>Link for EU: http://epp.eurostat.cec.eu.int/portal/page?_page-id=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=Yearlies_new_science_technology&root=Yearlies_new_science_technology/I/I4/ir062</p>
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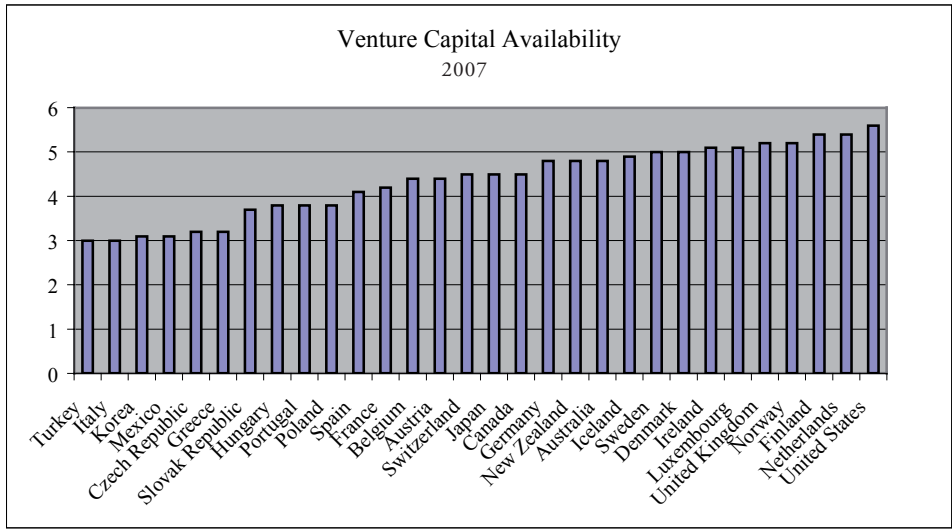


3.2.17 Venture Capital - Availability

Definition:

The indicator is based on a survey questionnaire and measures the extent to which entrepreneurs with innovative but risky projects can generally find venture capital in your country (1 = not true, 7 = true)

Assessment		Grade
Overall		
1. Relevance	<i>a) Assesment of Relevance</i> Venture capital availability is an <u>direct</u> measure of the availability of venture capital for a risky project.	
	<i>b) Assessment of Policy Indicator Typology</i> Venture capital availability is based on the respondent's assessment and policy initiatives will only have an <u>indirect</u> impac on the indicator.	
2. Accuracy	<i>a) Data Collection Method</i> The indicator is based on WEF's Executive Opinion Survey	
	<i>b) Cross-country Comparability</i> Data is fully comparable across countries	
3. Availabi- lity	<i>a) Availability across Countries</i> Data is available for 125 countries	
	<i>b) Availability over Time</i> The indicator is updated annually.	
Source	WEF, The Global Competitiveness Report 2006-2007, Table 6,21	



3.2.18 Investor Protection

Definition:

This topic measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain. The table below shows the main indicators. They include: transparency of transactions (Extent of Disclosure Index), liability for self-dealing (Extent of Director Liability Index), shareholders' ability to sue officers and directors for misconduct (Ease of Shareholder Suit Index), strength of Investor Protection Index (the average of the three index).

Extent of disclosure index

The extent of disclosure index has 5 components:

What corporate body can provide legally sufficient approval for the transaction. A score of 0 is assigned if it is the CEO or the managing director alone; 1 if the board of directors or shareholders must vote and Mr. James is permitted to vote; 2 if the board of directors must vote and Mr. James is not permitted to vote; 3 if shareholders must vote and Mr. James is not permitted to vote.

Whether immediate disclosure of the transaction to the public, the regulator or the shareholders is required. A score of 0 is assigned if no disclosure is required; 1 if disclosure on the terms of the transaction but not Mr. James's conflict of interest is required; 2 if disclosure on both the terms and Mr. James's conflict of interest is required.

Whether disclosure in the annual report is required. A score of 0 is assigned if no disclosure on the transaction is required; 1 if disclosure on the terms of the transaction but not Mr. James's conflict of interest is required; 2 if disclosure on both the terms and Mr. James's conflict of interest is required.

Whether disclosure by Mr. James to the board of directors is required. A score of 0 is assigned if no disclosure is required; 1 if a general disclosure of the existence of a conflict of interest is required without any specifics; 2 if full disclosure of all material facts relating to Mr. James's interest in the Buyer-Seller transaction is required.

Whether it is required that an external body, for example, an external auditor, review the transaction before it takes place. A score of 0 is assigned if no; 1 if yes.

The extent of director liability index has 7 components:

Whether a shareholder plaintiff is able to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. A score of 0 is assigned if Mr. James cannot be held liable or can be held liable only for fraud or bad faith; 1 if Mr. James can be held liable only if he influenced the approval of the transaction or was negligent; 2 if Mr. James can be held liable when the transaction is unfair or prejudicial to the other shareholders.

Whether a shareholder plaintiff is able to hold the approving body (the CEO or board of directors) liable for damage the transaction causes to the company. A score of 0 is assigned if the approving body cannot be held liable or can be held liable only for fraud or bad faith; 1 if the approving body can be held liable for negligence; 2 if the approving body can be held liable when the transaction is unfair or prejudicial to the other shareholders.

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff. A score of 0 is assigned if rescission is unavailable or is available only in case of fraud or bad faith; 1 if rescission is available when the transaction is oppressive or prejudicial to the other shareholders; 2 if rescission is available when the transaction is unfair or entails a conflict of interest.

Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff. A score of 0 is assigned if no; 1 if yes.

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff. A score of 0 is assigned if no; 1 if yes.

Whether fines and imprisonment can be applied against Mr. James. A score of 0 is assigned if no; 1 if yes.

Whether shareholder plaintiffs are able to sue directly or derivatively for damage the transaction causes to the company. A score of 0 is assigned if suits are unavailable or are available only for shareholders holding more than 10% of the company's share capital; 1 if direct or derivative suits are available for shareholders holding 10%

or less of share capital.

The ease of shareholder suits index has 6 components:

What range of documents is available to the shareholder plaintiff from the defendant and witnesses during trial. A score of 1 is assigned for each of the following types of documents available: information that the defendant has indicated he intends to rely on for his defense; information that directly proves specific facts in the plaintiff's claim; any information relevant to the subject matter of the claim; and any information that may lead to the discovery of relevant information.

Whether the plaintiff can directly examine the defendant and witnesses during trial. A score of 0 is assigned if no; 1 if yes, with prior approval of the questions by the judge; 2 if yes, without prior approval.

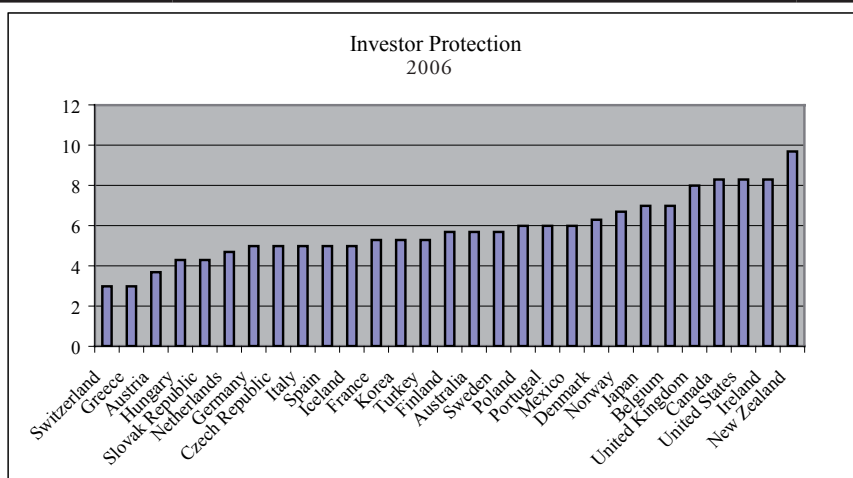
Whether the plaintiff can obtain categories of relevant documents from the defendant without identifying each document specifically. A score of 0 is assigned if no; 1 if yes.

Whether shareholders owning 10% or less of the company's share capital can request that a government inspector investigate the Buyer-Seller transaction without filing suit in court. A score of 0 is assigned if no; 1 if yes.

Whether shareholders owning 10% or less of the company's share capital have the right to inspect the transaction documents before filing suit. A score of 0 is assigned if no; 1 if yes.

Whether the standard of proof for civil suits is lower than that for a criminal case. A score of 0 is assigned if no; 1 if yes.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> Investor Protection is an <u>indirect</u> measure of the transparency of transactions, liability for self dealing and the shareholder's ability to sue officers and directors for misconduct.	B
	<i>b) Assessment of Policy Indicator Typology</i> Policy implication focused indicator. A direct measure for policy instrument. Changing formal regulation will have a direct influence.	A
2. Accuracy	<i>a) Data Collection Method</i> Data is fact based and is based on company laws, court rules of evidence and securities regulations.	A
	<i>b) Cross-country Comparability</i> Fully comparable. The same methodology To make the data comparable across countries, several assumptions about the business and the transaction are used.	A
3. Availability	<i>a) Availability across Countries</i> Data is available for 174 countries	A
	<i>b) Availability over Time</i> The indicator is updated annually	A
Source	http://www.doingbusiness.org/ExploreTopics/ProtectingInvestors	



3.2.19 Capitalisation of Secondary Stock Market

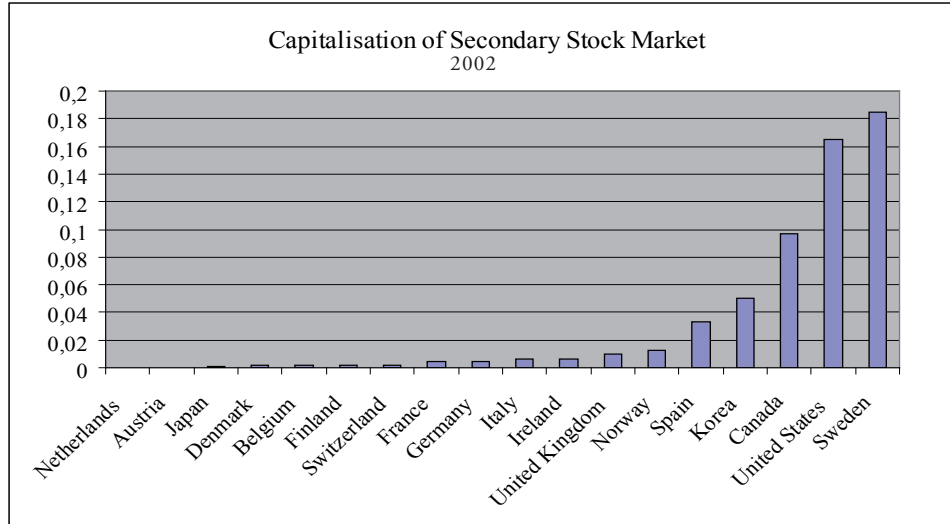
Definition:

The indicator measures the capitalisation of the secondary stock market (the value of the issued shares on the market) in percentage of GDP.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The indicator is a <u>direct</u> measure of the supply and accessibility of expansion capital. An efficient secondary stock market is a facilitator of expansion capital and indirectly a source to more capital in earlier investment phases.	A
	<i>b) Assessment of Policy Indicator Typology</i> The size of the secondary capital market is primarily the <u>outcome</u> of market-based initiatives and an efficient policy framework for stock markets. It is not a direct measure of the regulation per se. Policy initiatives will only have an <u>indirect</u> impact on an indicator measuring the outcome of regulation.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> .	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for the average of year 1999 -2002. The data will not be updated every year, but may be updated in the future if funding is found.	B

Source

The data is published by OECD, Venture Capital: Trends and Policy Recommendations, p. 25. Available online: <http://www.oecd.org/dataoecd/4/11/28881195.pdf>.



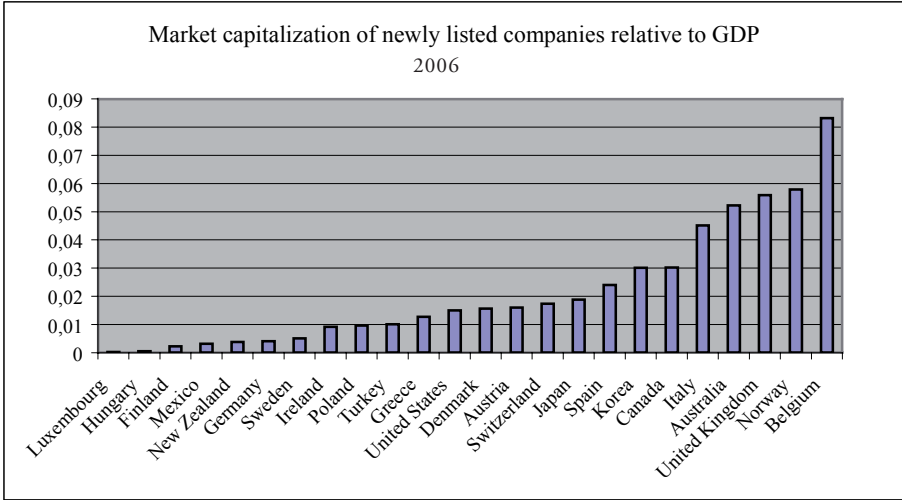
3.2.20 Market Capitalisation of Newly-Listed Companies Relative to GDP

Definition:

The indicator measures the market capitalization of newly listed domestic shares relative to GDP. The market capitalization of newly listed domestic shares is the total number of new shares issued multiplied by their value on the first day of quotation.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The indicator is a <u>direct</u> measure of the supply and accessibility of new capital	A
	<i>b) Assessment of Policy Indicator Typology</i> The market capitalization of newly listed companies is primarily the <u>outcome</u> of market-based initiatives and an efficient policy framework for stock markets. Policy initiatives will therefore only have an <u>indirect</u> impact on the market capitalization of newly listed companies.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based and originates from the World Federation of Exchange.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> because the same methodology is used in all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for 22 OECD countries.	B
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A

Source	<p>World Federation of Exchange, annual report 2005 (data for Denmark: Copenhagen stock exchange, statistics 2005).</p> <p>Available online: ://www.world-exchanges.org/publications/WFE%202005%20Annual%20Report.pdf</p>
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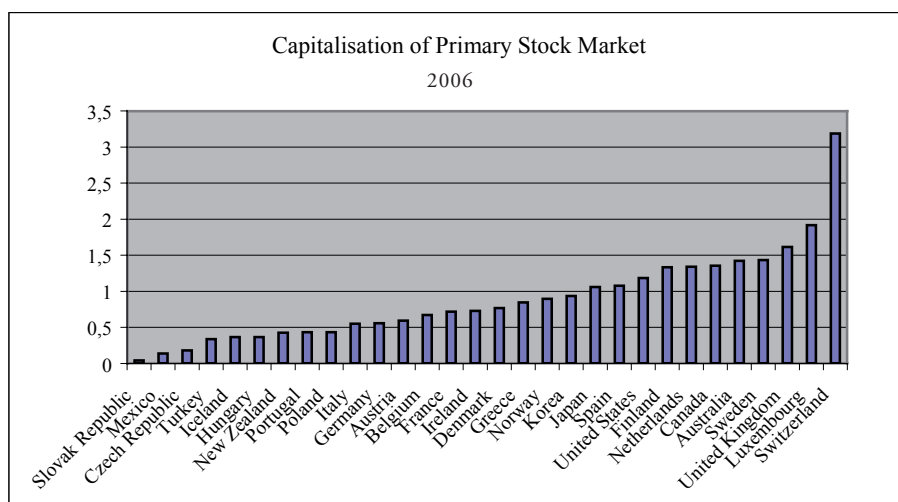
3.2.21 Capitalisation of Primary Stock Market

Definition

The indicator measures the capitalisation of the primary stock market (the value of the issued shares on the market) in percentage of GDP. The indicator is measured as the average of the years 1997-2001.

Assessment		Grade
Overall		A
1. Relevance	<p><i>a) Assessment of Relevance</i></p> <p>The indicator is a <u>direct</u> measure of the supply and accessibility of expansion capital.</p> <p>An efficient primary stock market is a facilitator of access to expansion capital and indirectly a source to more capital in earlier investment phases.</p>	A
	<p><i>b) Assessment of Policy Indicator Typology</i></p> <p>The size of the primary capital market is primarily the <u>outcome</u> of market-based initiatives and an efficient policy framework for stock markets. It is not a direct measure of the regulation <i>per se</i>.</p> <p>Policy initiatives will only have an <u>indirect</u> impact on an indicator measuring the outcome of regulation.</p>	B
2. Accuracy	<p><i>a) Data Collection Method</i></p> <p>The indicator is <u>fact</u>-based and originates from the World Bank and Standard and Poor's Emerging Market Database.</p>	A
	<p><i>b) Cross-country Comparability</i></p> <p><u>Fully comparable.</u></p>	A

3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for the year 2006 and will be updated annually.	A
Source	WORLD FEDERATION OF EXCHANGES (DOMESTIC MARKET CAPITALIZATION), OECD economic outlook (GDP), Statistics Denmark (exchange rates) http://www.world-exchanges.org/publications/WFE%202004%20Annual%20Report%20and%20Statistics.pdf	



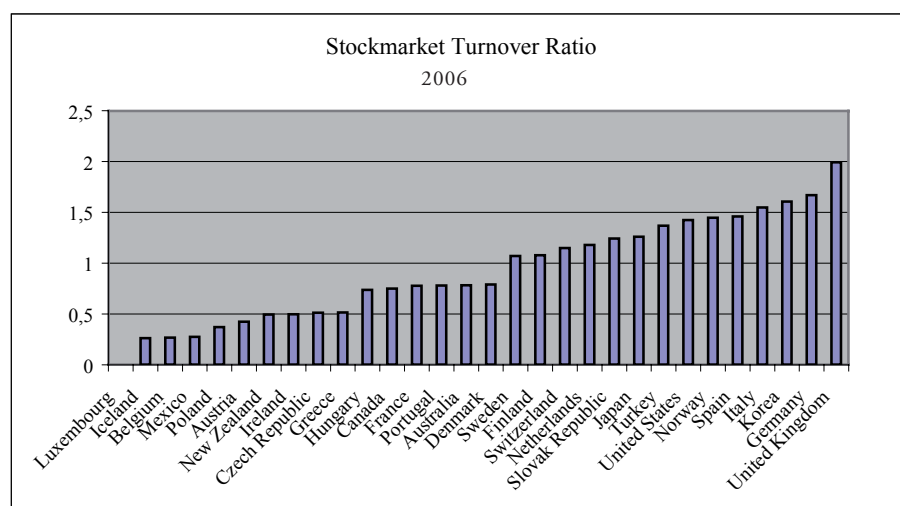
3.2.22 Turnover in Primary Stock Market

Definition:

The indicator measures the total shares traded on the stock market exchange in percentage of GDP. The indicator is the average of years 1997- 2001.

Assessment		Grade
Overall		A
1. Relevance	<p><i>a) Assessment of Relevance</i></p> <p>The total number of shares traded on the stock market is an indication of the well functioning and efficiency of the capital market.</p> <p>The total number of shares is a <u>direct</u> measure of the accessibility of expansion capital via the stock market.</p>	A
	<p><i>b) Assessment of Policy Indicator Typology</i></p> <p>The total number of shares traded on the stock market is primarily the <u>outcome</u> of market-based initiatives and an efficient policy framework for stock markets. It is not a direct measure of the regulation per se.</p> <p>Policy initiatives will only have an <u>indirect</u> impact on an indicator measuring the <i>outcome</i> of regulation.</p>	B
2. Accuracy	<p><i>a) Data Collection Method</i></p> <p>The indicator is <u>fact</u>-based and originates from the World Bank and Standard and Poor's Emerging Market Database.</p>	A
	<p><i>b) Cross-country Comparability</i></p> <p>Fully comparable.</p>	A

3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for the year 2006 and will be updated annually.	A
Source	http://www.world-exchanges.org/publications/WFE%202004%20Annual%20Report%20and%20Statistics.pdf http://www.worldbank.org/research/projects/fin-structure/structure_database.xls	

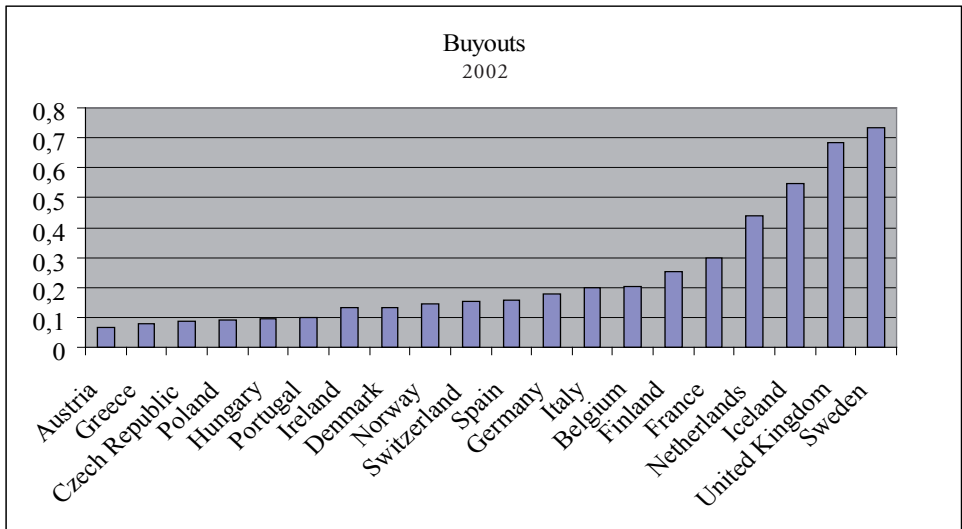


3.2.23 Buyouts

Definition:

A transaction in which a business, business unit or company is acquired from the current shareholders. The indicator is measured as a percentage of GDP and is calculated as an average of the period 1999-2002.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The number of buyouts is a <u>direct</u> measure of businesses' choice to exit the stock market.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy initiatives will only have an <u>indirect</u> impact on the number of buyouts.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> <u>Not fully comparable</u> - Method of collecting data varies among countries. Note for Australia, Japan, Korea and New Zealand the average is taken for the period 1998-2002.	B
3. Availability	<i>a) Availability across Countries</i> Data is available for 26 OECD countries.	A
	<i>b) Availability over Time</i> Data is available as an average of the period 1999-2002. Future updates are uncertain.	B
Source	OECD, Science, technology and industry. Venture capital: trends and policy recommendations, p.7. Available online: http://www.oecd.org/dataoecd/4/11/28881195.pdf	

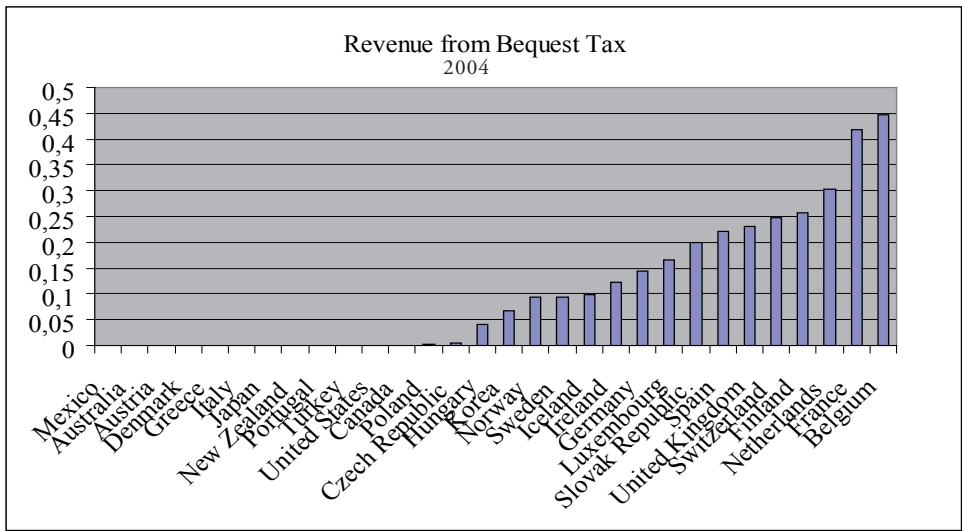


3.2.24 Revenue from Bequest Tax

Definition:

The indicator measures the revenue from bequest tax as percent of GDP-3 year moving average.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The revenue from bequest tax is a <u>direct</u> measure of wealth tax's negative impact on financial possibilities.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the bequest tax-rates will have a <u>direct</u> impact on the revenue from bequest tax.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable.</u>	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for the OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for years 1965-2003. The data will be updated every year.	A
Source	Source OECD, Revenue Statistics. Available online: http://thesius.sourceoecd.org/vl=7366043/cl=22/nw=1/rpsv/-4018/v55n1/s13/p1 .	



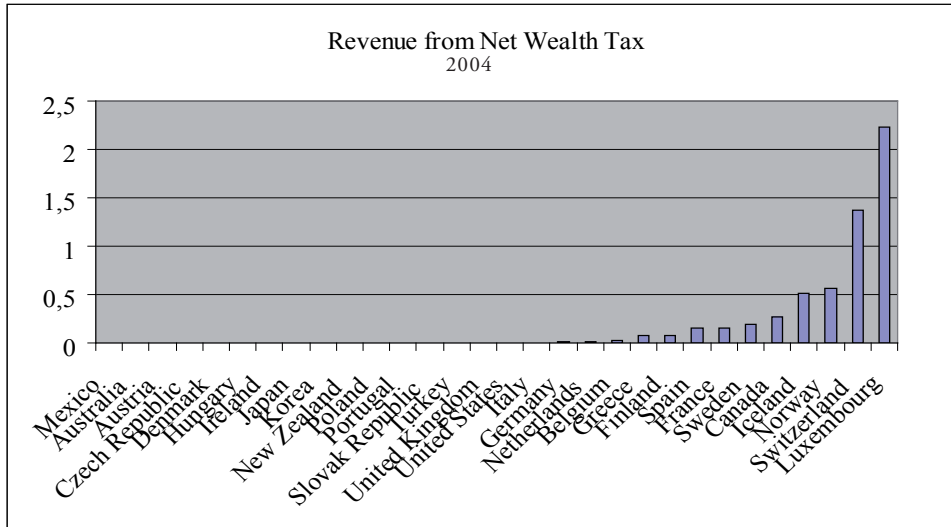
Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.25 Revenue from Net Wealth Tax

Definition:

The indicator measures the revenue from net wealth tax in a 3-year moving average as a percentage of GDP.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The revenue from net wealth tax is a <u>direct</u> measure of wealth tax's negative impact on financial possibilities.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the wealth tax-rates will have a <u>direct</u> impact on the revenue from wealth tax.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable.</u>	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for the OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for years 1979-2002. The data will be updated every year.	A
Source	Source OECD, Revenue Statistics. Available online: http://thesius.sourceoecd.org/vl=7366043/cl=22/nw=1/rpsv/-4018/v55n1/s13/p1 .	



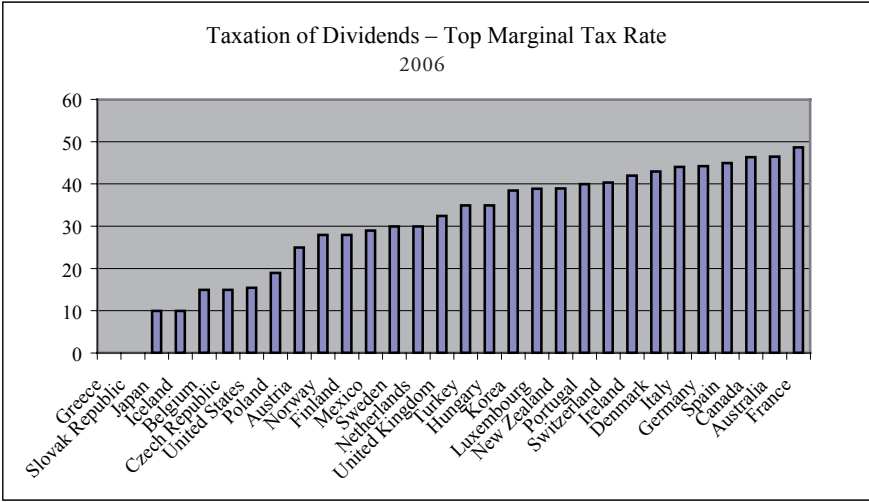
Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.26 Taxation of Dividends - Top Marginal Tax Rate

Definition:

The indicator measures the top marginal tax rate of dividend income.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The top marginal tax rate of dividend income is a <u>proxy</u> measure of the tax-rates negative impact on financial possibilities. The indicator does not take into consideration tax rebates, etc.	B
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the top marginal tax rate will have a <u>direct</u> impact on the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is fact-based, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable.</u>	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the OECD countries (30 countries).	A
	<i>b) Availability over Time</i> The indicator is available for 2006, but data will not be updated annually.	B
Source	http://www.oecd.org/dataoecd/26/51/33717596.xls	



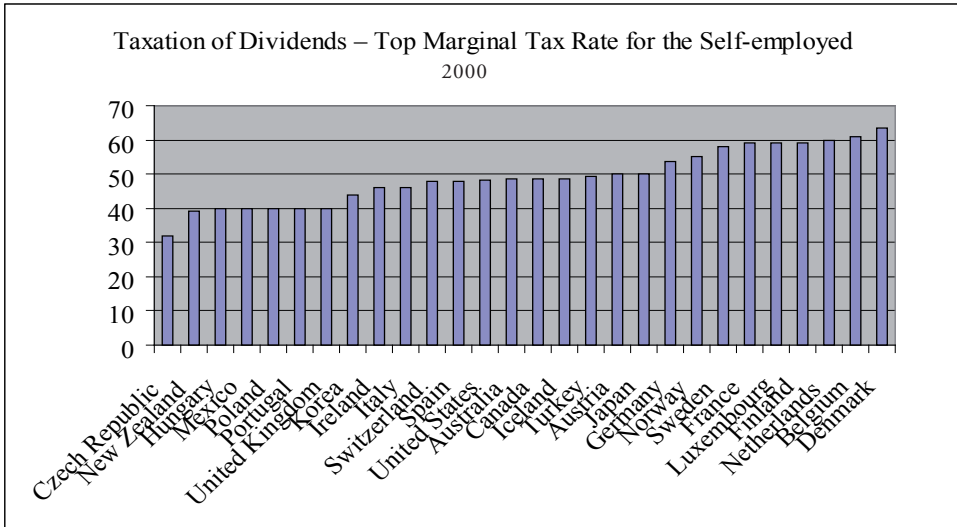
Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.27 Taxation of Dividends - Top Marginal Tax Rate for the Self-employed

Definition:

The indicator measures the top marginal tax rates of dividend income for the self-employed.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The top marginal tax rate of dividend income for the self-employed is a <u>proxy</u> measure of the tax rate's negative impact on financial possibilities. The indicator does not take into consideration tax rebates, etc.	B
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the top marginal tax rate will have a <u>direct</u> impact on the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable.</u>	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for the year 2000, but will not be updated annually.	B
Source	The data are published by OECD, Taxation, SMEs and Entrepreneurship, 2002, p.16. Available online: http://www.oecd.org/olis/2002doc.nsf/43bb6130e5e86e5fc12569fa005d004c/2137ebc4eaa738a5c1256c10004e37ec/\$FILE/JT00130282.PDF .	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.28 Taxation of Stock Options

Definition:

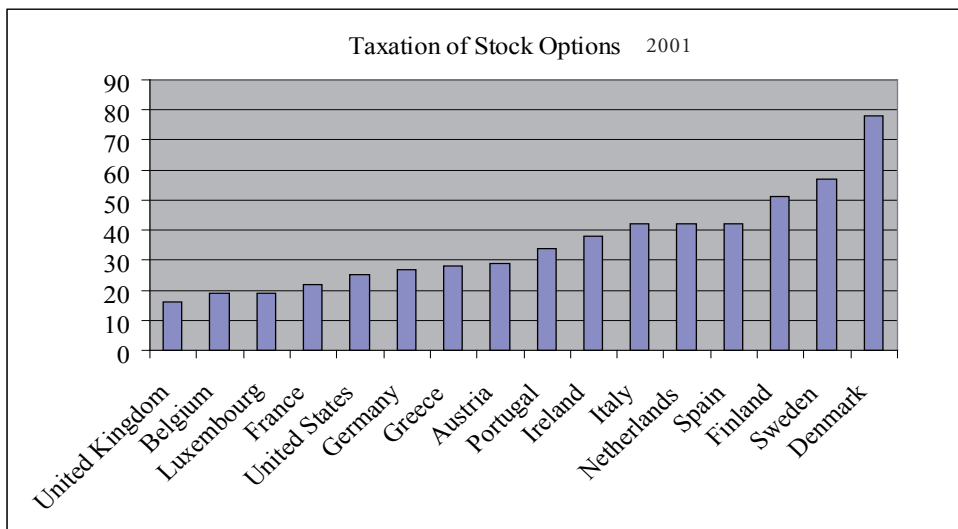
The indicator measures the effective tax rate of stock options for a hypothetical taxpayer with certain assumptions regarding income, family situation and portfolio development (Exhibit 1).

Exhibit 1

The effective tax rates are calculated for a married person with two children, earning 50 000 € a year and with a grant element of face value equal to 33 % of his salary. The special rates refer to promotional schemes. The calculation is based on the assumption that the employee exercises the options three years after they have been granted and keeps the shares for another two years afterwards. The calculation supposes further an average increase in the stock price of 10 % and an interest rate of 5 %. The estimated annual gross income of options is EUR 50 000. Furthermore, the employee is granted stock options representing a (at grant) stock worth of EUR 16 500.

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The indicator measuring is a <u>direct</u> measure of the negative impact of taxes on new firms' financial possibilities.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the taxation of stock options will have a <u>direct</u> impact on the indicator.	A

2. Accuracy	<i>a) Data Collection Method</i> The indicator is a <u>fact</u> -based estimate based on Taxation of Stock Options in the EU and the US , a study prepared by Price Waterhouse Coopers for the European Commission, Enterprise Directorate-General, 2002; the estimates are still preliminary.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable.</u>	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the EU member states and US.	B
	<i>b) Availability over Time</i> The indicator is available for 2002. The data will not be updated.	B
Source	The data is published in Benchmarking Enterprise Policy, 2002, EU Commission. Available online: http://europa.eu.int/comm/enterprise/enterprise_policy/better_environment/doc/enterprise_policy_scoreboard_2002_en.pdf .	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.29 Taxation of Capital Gains on Shares - Short Term

Definition:

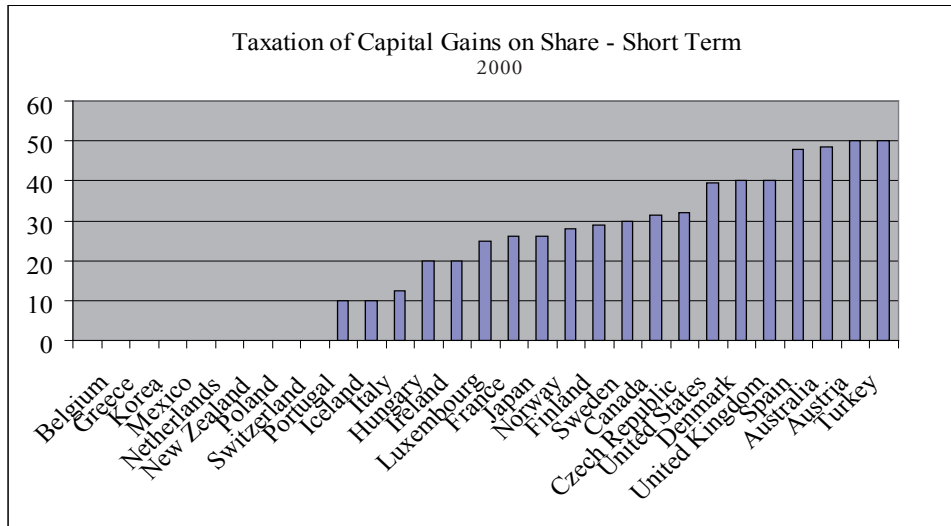
The indicator measures the level of the tax rate when shares are issued and sold in the short term.

The indicator consists of two lower level indicators: one tax rate for companies and one tax rate for individuals (both short term taxation).

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The tax rate of capital gains on shares is a <u>direct</u> measure for the tax rates negative impact on financial possibilities.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the taxation of capital gains on shares will have a <u>direct</u> impact on the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> <u>Fact-based</u> indicator, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> <u>Comparable to some extent</u> . The taxation may vary across different asset types. Holding periods for short term assets differ across countries as do other conditions.	B
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2002. The data will not be updated.	B

Source

The data are published by OECD, Taxation, SMEs and Entrepreneurship, 2002, p. 23. Available online: [http://www.oecd.org/olis/2002doc.nsf/43bb6130e5e86e5fc12569fa005d004c/2137ebc4eaa738a5c1256c10004e37ec/\\$FILE/JT00130282.PDF](http://www.oecd.org/olis/2002doc.nsf/43bb6130e5e86e5fc12569fa005d004c/2137ebc4eaa738a5c1256c10004e37ec/$FILE/JT00130282.PDF).



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.30 Taxation of Capital Gains on Shares - Long Term

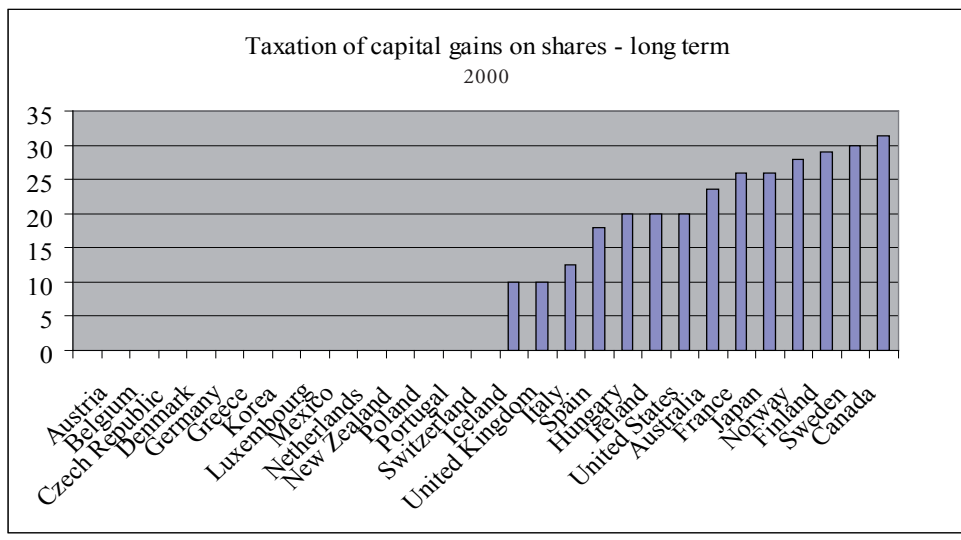
Definition:

The indicator measures the level of the tax rate when shares are issued and sold in the long term.

The indicator consists of two lower level indicators: one tax rate for companies and one tax rate for individuals (both long term taxation).

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assessment of Relevance</i> The tax rate of capital gains on shares is a <u>direct</u> measure for the tax rates' negative impact on financial possibilities.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the taxation of capital gains on shares will have a <u>direct</u> impact on the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> <u>Fact</u> -based indicator, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> <u>Comparable to some extent</u> . The taxation may vary across different asset types. Holding periods for short term assets differ across countries as do other conditions.	B
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the OECD countries (30 countries).	A
	<i>b) Availability over Time</i> The indicator is available for 2000. The data will not be updated annually.	B

Source The data are published by OECD, Taxation, SMEs and Entrepreneurship, 2002, p. 23. Available online: [http://www.oecd.org/olis/2002doc.nsf/43bb6130e5e86e5fc12569fa005d004c/2137ebc4eaa738a5c1256c10004e37ec/\\$FILE/JT00130282.PDF](http://www.oecd.org/olis/2002doc.nsf/43bb6130e5e86e5fc12569fa005d004c/2137ebc4eaa738a5c1256c10004e37ec/$FILE/JT00130282.PDF).



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.31 Possibility for a Fresh Start

Definition:

The indicator measures an entrepreneur's possibility to resume running a business after experiencing financial difficulties. A fresh start can be attained through a restructuring of the existing business to avoid bankruptcy or by restructuring debt. (Exhibit 1)

Exhibit 1

The indicator consists of the following questions:

- Reorganization out-of-court:
 - o Q1 Early warning systems supported by the public sector
 - o Q2 Countries having private supported early warning systems
 - o Q3 Possibility for out-of-court settlements
- Reorganization in court:
 - o Q4 Possibility for in-court reorganization
 - o Q4A Countries having fast track procedures for reorganizing Small and Medium Sized Enterprises (SMEs)
 - o Q7 Countries having courts or sections within courts specialized in restructuring insolvent companies
- Liquidation and discharge:
 - o Q13 What priority is given to the national public authorities' claims on the debtor
 - o Q14 Can an enterprise that is about to be liquidated convert from liquidation to reorganization proceedings?
 - o Q17 and 17B: For how long does the honest business bankruptee usually have to pay back installments (check Ireland)
 - o Q18 Are all debts belonging to an honest business bankruptee discharged in the cases where a discharge is granted
 - o Q21 Honest business bankruptees who has also served as directors of a bankrupt company can be deprived of the right to start a new business

The indicator is quantified as follows:

- Q1: yes = 1 point, no = 0 point
- Q2: yes = 1 point, no = 0 point
- Q3: yes = 1 point, yes, but is rarely used = 0.5 point, no = 0 point
- Q4: yes = 1 point, no = 0 point
- Q4A: yes = 1 point, no = 0 point
- Q7: yes = 1 point, no = 0 point
- Q13: 1. Priority = 0 points, 2. or 3. Priority = 0.33 points, 4.-2. Last Priority = 0.66 points, Last Priority = 1 points. (If a government have different priorities the average of these alternatives are used to determine the number of points the country receives).
- Q14: yes = 1 point, no = 0 point
- Q17 and 17B: instantaneously discharge or maximal 1 year = 1 point, 1-3 year = 0.66 point, 4-5 year = 0.33 point, more than 5 years = 0 point.
- Q18: yes = 1 point, In most cases = 0.66, rarely = 0.33, no = 0 point
- Q21: yes = 1 point, no = 0 point

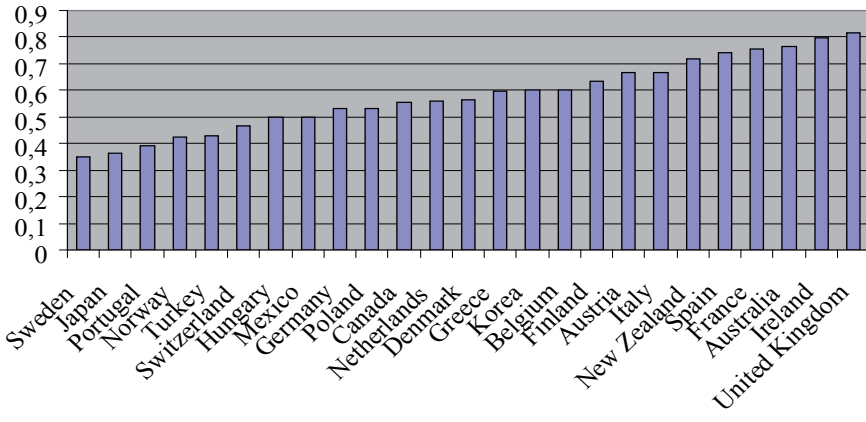
The indicator is constructed on a scale from 0-11.

When a question is not answered an average score from the other questions is given to a country.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The indicator is a <u>direct</u> measure of an entrepreneur's restart possibilities.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulations will have a <u>direct</u> impact on an entrepreneur's possibility to restart after experiencing financial difficulties.	A
2. Accuracy	<i>a) Data Collection Method</i> The OECD survey "Policy Questionnaire on Bankruptcy" is <u>fact</u> -based.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> - the same questions were asked in every country	A
3. Availabi- lity	<i>a) Availability across Countries</i> The indicator is available for 25 OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2005. It is unclear if the indicator will be updated in the future because it will require a new survey.	B
Source	The indicator is constructed on the basis of the OECD survey "Policy Questionnaire on Bankruptcy" which maps out regulation of rehabilitation, liquidation, restructuring of debt and discharge in OECD countries.	

Possibilities for a Fresh Start

2005



3.2.32 Entrepreneurship Education at Primary and Secondary Levels

Definition:

The indicator measures the perception of entrepreneurial experts of the quantity and quality of entrepreneurship education in primary and secondary levels of the educational system.

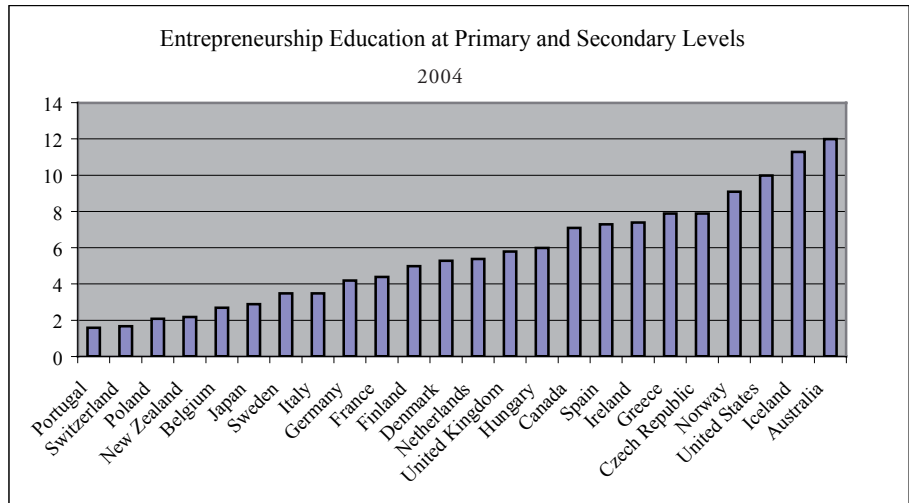
The indicator is based on three questions that the experts are asked to answer. The ranking of the questions go from 1 (strongly disagree) to 5 (strongly agree). The indicator is a simple average of the questions (Exhibit 1).

Exhibit 1:

- Teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative.
- Teaching in primary and secondary education provides adequate instruction in market economic principles.
- Teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> The quantity and quality of entrepreneurship education in higher levels of the educational system is a <u>direct</u> measure of the quality and quantity of entrepreneurial motivated pupils in primary and secondary levels of the educational system.	A

	<p><i>b) Assessment of Policy Indicator Typology</i> The quantity and quality of entrepreneurship education is an important <u>outcome</u> of an effective educational system and thus not a direct measure of regulation per se. Furthermore, the indicator is opinion-based. Policy measures can only have an <u>indirect</u> impact on the opinions of entrepreneurial experts.</p>	B
2. Accuracy	<p><i>a) Data Collection Method</i> The indicator is <u>opinion</u>-based. The information is provided by entrepreneurial experts' answers to a list of questions in an expert survey, which is part of the GEM/GERA project.</p>	C
	<p><i>b) Cross-country Comparability</i> <u>Fully comparable</u> because the same methodology is used in all countries.</p>	A
3. Availability	<p><i>a) Availability across Countries</i> The indicator is available for all GEM countries (the list varies from year to year; approximately, 30 countries on average).</p>	A
	<p><i>b) Availability over Time</i> The indicator is available for 1997-2006. In this time span, some divergence exists in the exact stating of the questions. The data may be updated in the future.</p>	A
Source	The indicator is published by GEM/GERA in specific reports. Not available on the net. GEM/GERA website: http://www.gemconsortium.org .	



3.2.33 Entrepreneurship Education at Higher Levels

Definition:

The indicator measures entrepreneurial experts' perception of the quantity and quality of entrepreneurship education at higher levels of the educational system.

The indicator is based on three questions that the experts are asked to answer. The ranking of the questions go from 1 (strongly disagree) to 5 (strongly agree). The indicator is a simple average of the questions (exhibit 1).

Exhibit 1:

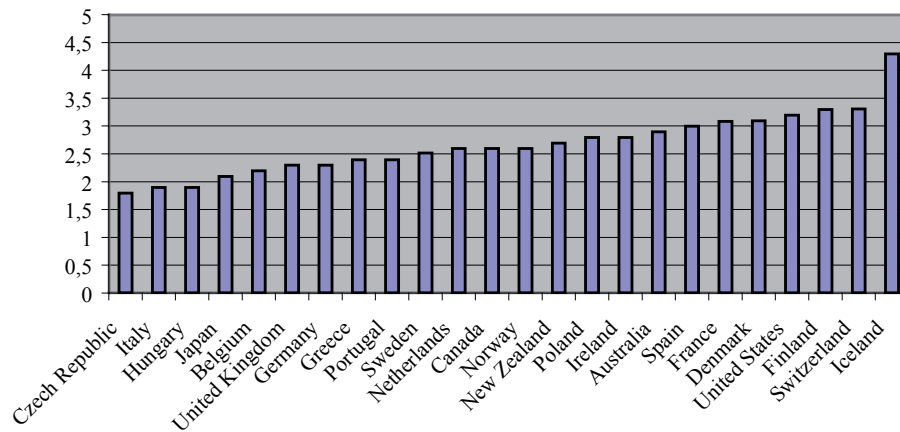
- Colleges and universities have enough courses and programs on entrepreneurship.
- The level of business and management education is truly world-class.
- The business and post-graduate educations prepare the students adequately to start their own business.

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> The quantity and quality of entrepreneurship education in higher levels of the educational system is a <u>direct</u> measure of the quality and quantity of entrepreneurial motivated students in higher levels of the educational system.	A

	<p><i>b) Assessment of Policy Indicator Typology</i></p> <p>The quantity and quality of entrepreneurship education is an important <u>outcome</u> of an effective educational system and, thus, not a direct measure of regulation <i>per se</i>. Furthermore, the indicator is opinion-based. Policy measures can only have an <u>indirect</u> impact on the opinions of entrepreneurial experts.</p>	B
2. Accuracy	<p><i>a) Data Collection Method</i></p> <p>The indicator is <u>opinion</u>-based. The information is provided by entrepreneurial experts' answers to a list of questions in an expert survey, which is part of the GEM/GERA project.</p>	C
	<p><i>b) Cross-country Comparability</i></p> <p><u>Fully comparable</u> because the same methodology is used in all countries.</p>	A
3. Availability	<p><i>a) Availability across Countries</i></p> <p>The indicator is available for all GEM countries (the list varies from year to year; approximately, 30 countries on average).</p>	A
	<p><i>b) Availability over Time</i></p> <p>The indicator is available for 1997-2006. Some divergence exists in the exact stating of the questions through the years. The indicator may be updated.</p>	A
Source	The indicator is published by GEM/GERA in specific reports. Not available on the net. GEM/GERA website: http://www.gemconsortium.org .	

Entrepreneurskip Education at Higher Education

2004



3.2.34 Policies to Promote Entrepreneurship at Primary and Secondary Level

Definition:

The indicator measures the policies and regulation in place in OECD countries to promote entrepreneurship. The indicator is based on 11 questions. The countries can score from 1 to 0 on each question. The indicator shows the average score on the 11 questions.

The indicator has three low level indicators:

Policy Planning

Implementation

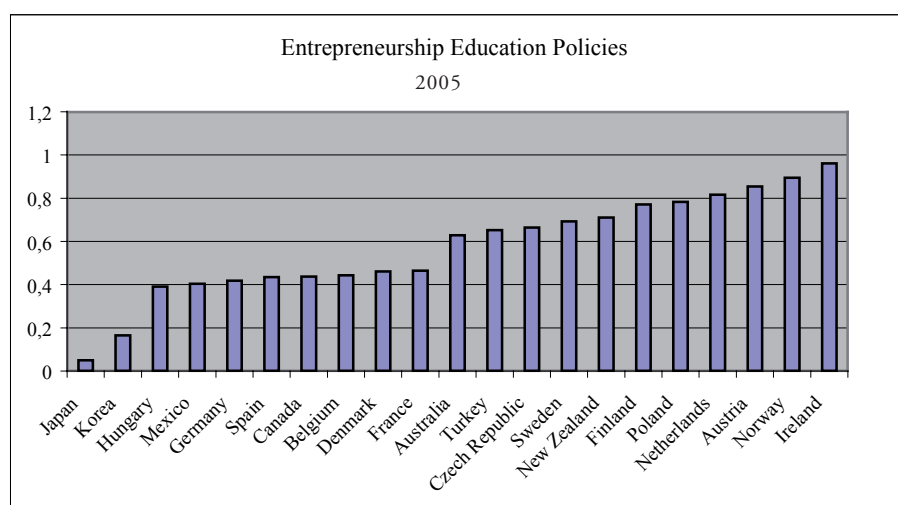
Monitoring and evaluation

The policy planning indicator is made up of 8 questions. They measure how much entrepreneurship education policy each country has. The composite indicator ranges from 0 to 8 points. A high score is a reflection of many entrepreneurship education policies, a low score the opposite

The implementation indicator is made up of 13 questions. They measure how much entrepreneurship education each country has implemented. The composite indicator ranges from 0 to 13 points. A high score reflects that many entrepreneurship education policies and activities have been implemented

The evaluation indicator is made up of 3 questions. They measure how much monitoring and evaluation of entrepreneurship education each country has. The indicator ranges from 0-3

Assessment		Grade
Overall		
1. Relevance	<i>a) Assesment of Relevance</i> The indicator measures the policies and regulation in place in OECD countries to promote entrepreneurship	
	<i>b) Assessment of Policy Indicator Typology</i> Poliicy focused indicator. Changing formal regulations will have a direct impact on entrepreneurship education and vocal training.	
2. Accuracy	<i>a) Data Collection Method</i> The indicator is survey-based.	
	<i>b) Cross-country Comparability</i> <u>Fully comparable. The same methodology is used in every country</u>	
3. Availabi- lity	<i>a) Availability across Countries</i> The indicator is available for all OECD countries.	
	<i>b) Availability over Time</i> The indicator is available for 2005 and will not be updated.	
Source	The OECD	



3.2.35 Quality of Management Schools

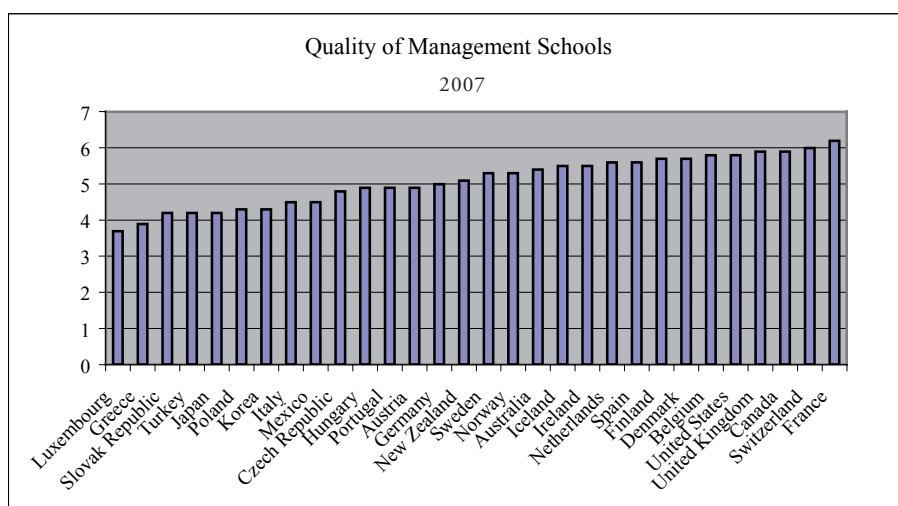
Definition:

The indicator measures business executives' perception of the quality of management/ business schools.

The indicator is based on the Executive Opinion Survey, which is part of the Global Competitiveness Report. Business executives are asked to state their opinion on the quality of business schools. The ranking goes from 1 (limited or poor quality) – 7 (the best in the world).

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assessment of Relevance</i> High quality of management or business schools is a <u>direct</u> measure of the quality and quantity of management and business schools students.	A
	<i>b) Assessment of Policy Indicator Typology</i> The quality of management or business schools is an important <u>outcome</u> of an effective educational system and, thus, not a direct measure of regulation <i>per se</i> . Furthermore, the indicator is opinion-based. Policy measures can only have an <u>indirect</u> impact on the opinions of business executives.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>opinion</u> -based. The information is provided by leading business executives and entrepreneurs based on the Executive Opinion Survey, which is part of the Global Competitiveness Report 2003-2004.	C
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> because the same methodology is used in all countries.	A

3. Availability	<i>a) Availability across Countries</i> The indicator is available for all GEM countries (the list varies from year to year; approximately, 30 countries on average).	A
	<i>b) Availability over Time</i> The indicator is available for 1997-2006. Some divergence exists in the exact stating of the questions through the years. The indicator may be updated.	A
Source	World Economic Forum, The Global Competitiveness Report 2006-2007. tabel 5.05	



3.2.36 Government Programmes

Definition:

The indicator measures entrepreneurial experts' perception of government programmes created at all levels of government (national, regional, municipal level) in order to assist new and growing firms.

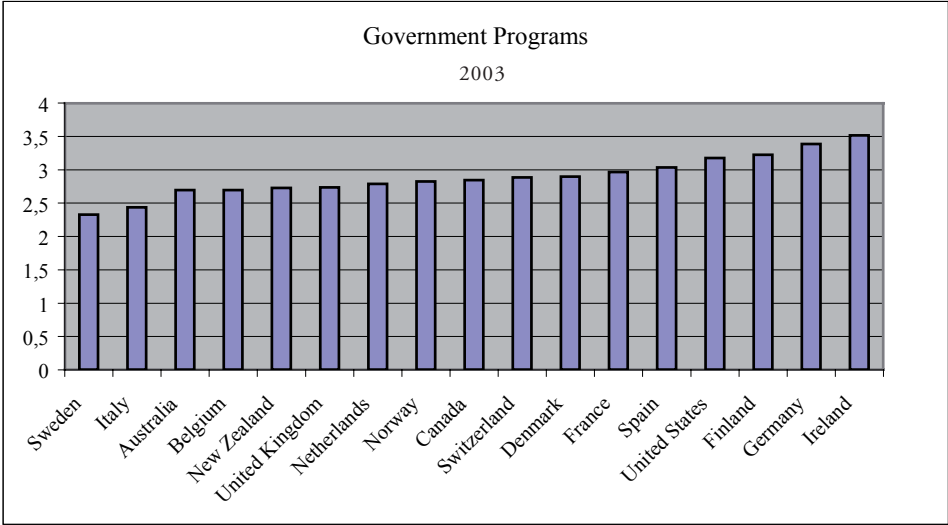
The indicator is based on five questions that the experts are asked to answer. The ranking of the questions go from 1 (strongly disagree) to 5 (strongly agree). The indicator is a simple average of the questions (exhibit 1).

Exhibit 1:

- The range of government assistance for new and growing firms can be obtained through contact with a single agency.
- Government sponsored incubators provide effective support for new and growing firms.
- There is an adequate number of government programs for new or growing businesses.
- The people working for government agencies are competent and effective in supporting new and growing firms.
- Persons who need help can find the necessary support.

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> The quantity and quality of governmental support programs is a <u>direct</u> measure of the quality and supply of tightly stitched regional networks of skilled, experienced and specialised advisors.	A

	<p><i>b) Assessment of Policy Indicator Typology</i></p> <p>The quantity and quality of governmental programs is an important <u>outcome</u> of an effective public and market-based entrepreneurship-assistance system and, thus, not a direct measure of regulation <i>per se</i>. Furthermore, the indicator is opinion-based. Policy measures can only have an <u>indirect</u> impact on the opinions of entrepreneurial experts.</p>	B
2. Accuracy	<p><i>a) Data Collection Method</i></p> <p>The data is <u>opinion</u>-based. The information is provided by entrepreneurial experts' answers to a list of questions in an expert survey which is part of the GEM/GERA project.</p>	C
	<p><i>b) Cross-country Comparability</i></p> <p><u>Fully comparable</u> because the same methodology is used in all countries.</p>	A
3. Availability	<p><i>a) Availability across Countries</i></p> <p>The indicator is available for all GEM countries (the list varies from year to year; approximately 30 countries on average).</p>	A
	<p><i>b) Availability over Time</i></p> <p>The indicator is available for 1997-2004. Some divergence exists in the exact stating of the questions through the years. The indicator may be updated.</p>	A
Source	The indicator is published by GEM/GERA in specific reports. Not available on the net. GEM/GERA website: http://www.gemconsortium.org .	

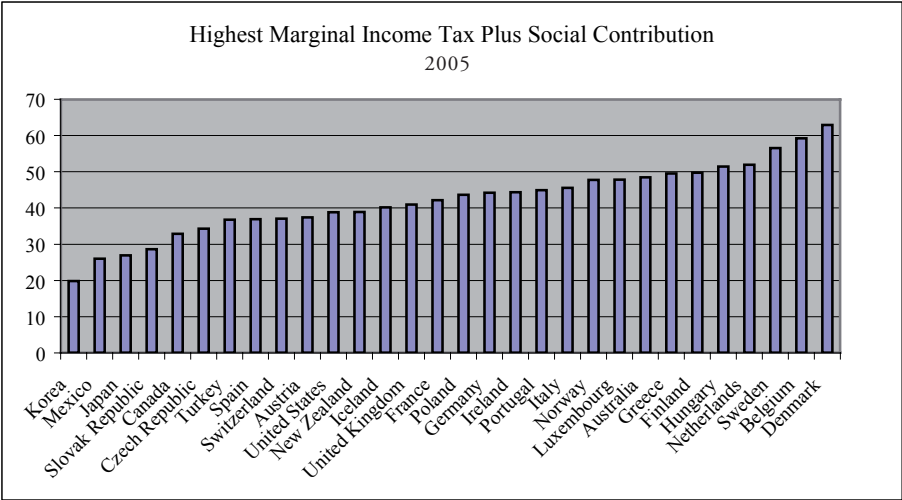


3.2.37 Highest Marginal Income Tax plus Social Contributions

Definition:

The indicator measures the highest rate of taxation in percentage of the gross wage. The indicator is based on a standard case: single (without children) with high income.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The level of personal income taxes are expected to have a <u>direct</u> influence on the benefit side of the cost/benefit equation as entrepreneurs will reap a larger share of the benefit with lower tax rates.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the rate will have a <u>direct</u> impact on the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> <u>Fact</u> -based indicator, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> Fully comparable.	A
3. Availabi- lity	<i>a) Availability across Countries</i> The indicator is available for all OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2005. The data will be updated every year.	A
Source	http://www.oecd.org/document/60/0,2340,en_2825_495698_1942460_1_1_1_1,00.html http://miranda.sourceoecd.org/vl=258119/cl=28/nw=1/rpsv/cgi-bin/fulltextew.pl?prpsv=/ij/oecdthemes/99980169/v2006n1/s1/p11.idx	



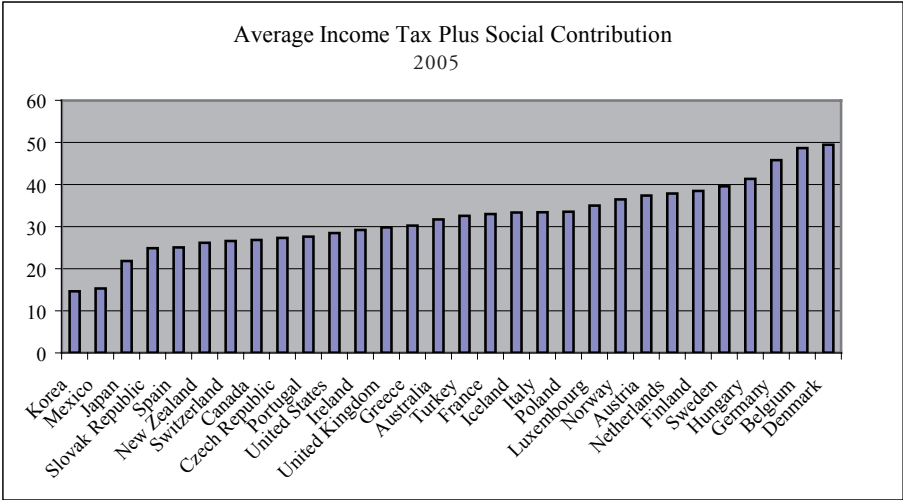
Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.38 Average Income Tax Plus Social Contributions

Definition:

The indicator measures the average rate of taxation in percentage of the gross wage. The indicator is based on a standard case: single (without children) with high income.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The level of personal income taxes are expected to have a <u>direct</u> influence on the benefit side of the cost/benefit equation as entrepreneurs will reap a larger share of the benefit in case lower tax rates.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Policy initiatives reducing the rate will have a <u>direct</u> impact on the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> Fact-based indicator, originating from OECD statistics.	A
	<i>b) Cross-country Comparability</i> Fully comparable.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2005. The data will be updated every year.	A
Source	http://miranda.sourceoecd.org/vl=3781702/cl=15/nw=1/rpsv/ij/oecdstats/16081102/v65n1/s1/p1	

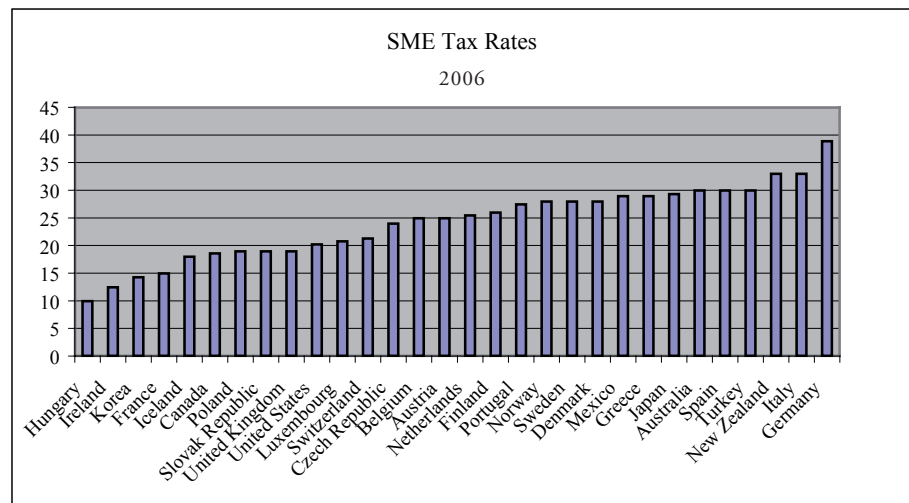


3.2.39 SME Tax Rates

Definition:

The indicator measures the corporate SME tax rate.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The corporate SME tax rate is a <u>direct</u> measure of the incentives to create companies as entrepreneurs will reap a larger share of the benefit in the case of lower tax rates. The indicator measures the tax level for SMEs and not for new companies.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Political initiatives will have a <u>direct</u> influence on the tax rate for SMEs.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based, originating from OECD <u>statistics</u> .	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> .	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and 2004. It is unclear if the indicator will be updated in the future.	B
Source	http://www.oilis.oecd.org/oilis/2002doc.nsf/43bb6130e5e86e5fc12569fa005d004c/2137ebc4eaa738a5c1256c10004e37ec/\$FILE/JT00130282.PDF http://www.oecd.org/dataoecd/26/55/33717506.xls	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

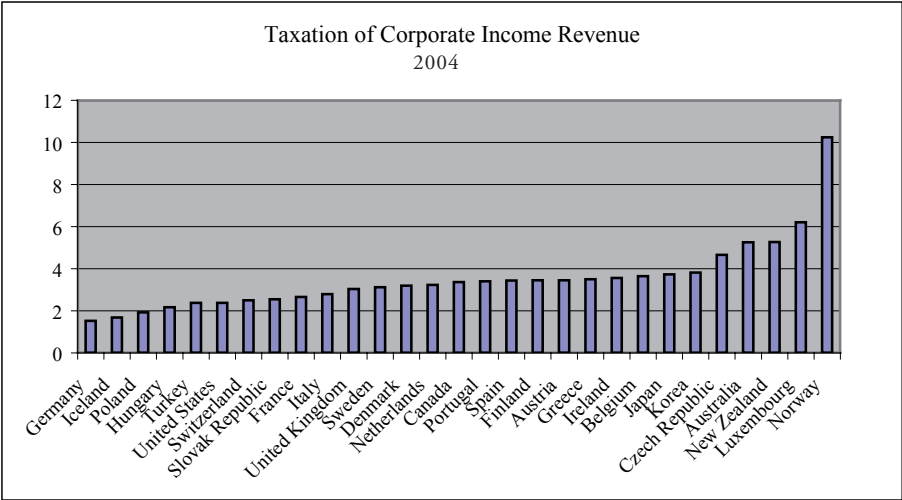
Note: For many countries it is difficult to give a national estimate because of different rates across states and provinces. In Canada the the federal rate is for example 12% for small businesses and ranges from 3% to 8% across the different provinces. Reecent work by Industry Canada has suggested using the Canadian federal rate plus Ontario rate and federal American rate plus California rate for making comparisons between Canada and the US.

3.2.40 Taxation of Corporate Income Revenue

Definition:

The indicator measures the revenue from corporate income tax as percentage of GDP on a three year moving average.

Assessment	Grade
Overall	A
1. Relevance	<p><i>a) Assesment of Relevance</i> The amount of corporate tax revenue is a <u>direct</u> measure of one of the incentives to create high growth companies as entrepreneurs will reap a larger share of the benefit in the case of lower tax rates.</p> <p><i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulation concerning corporate tax rates will have a <u>direct</u> influence of the size of the indicator.</p>
2. Accuracy	<p><i>a) Data Collection Method</i> The indicator is <u>fact</u>-based, originating from OECD statistics.</p> <p><i>b) Cross-country Comparability</i> <u>Fully comparable.</u></p>
3. Availability	<p><i>a) Availability across Countries</i> The indicator is available for the OECD countries.</p> <p><i>b) Availability over Time</i> The indicator is available for years 1979-2004. The data will be updated every year.</p>
Source	<p>http://oecd-stats.ingenta.com/OECD/eng/Table-Viewer/wdsview/download.asp http://juno.sourceoecd.org/vl=641507/cl=40/nw=1/rpsv/-4018/v55n1/s13/p1</p>



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.41 Actual Cost to Close a Business

Definition:

The indicator measures the actual cost to close a business. The cost is measured in percent of estate, based on a standard business closure (Exhibit 1).

Exhibit 1

This indicator assumes that the business:

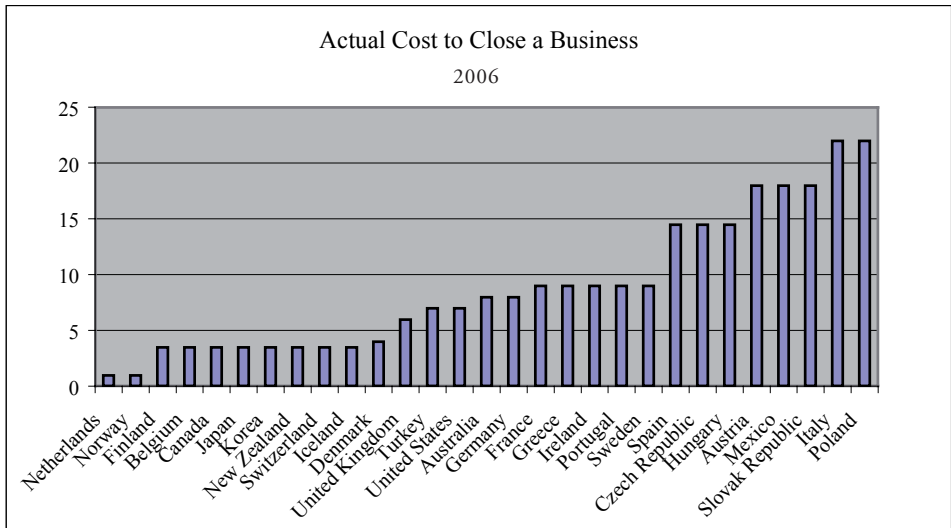
- is a limited liability company;
- operates in the country's most populous city;
- is 100 percent domestically-owned, of which 51 percent is owned by its founder, who is also the chairman of the supervisory board (aside from the founder, there is no other shareholder who has above 1 percent of shares);
- has downtown real estate as its major asset, on which it runs a hotel;
- has a professional general manager;
- has average annual revenue of 1,000 times income per capita over the last three years;
- has 201 employees, and 50 suppliers, each supplier is owed money for the last delivery;
- borrowed from a domestic bank five years ago (the loan has 10 years to full repayment) and bought real estate (the hotel building), using it as a security for the bank loan;
- has observed the payment schedule and all other conditions of the loan up to now; and
- has a mortgage with the current value of the mortgage principal being exactly equal to the market value of the hotel.

It also assumes the following with regard to business closure

- In January 2004, the business experiences liquidity problems. The company's loss in 2003 brought its net worth to a negative figure. There is no cash to pay the bank either through interest or principal in full, due on January 2, 2004. Therefore, the business defaults on its loan. Management believes that losses will be incurred in 2004 and 2005 as well.
- The bank holds a floating charge against the hotel in countries where floating charges are possible. If the law does not permit a floating charge, some contracts may nevertheless use some other provision to that effect. This provision would be specified in the lending contract.
- The business has too many creditors to renegotiate out of court. Its options are: a procedure aimed at rehabilitation or any procedure that will reorganise the business to permit continue operation; a procedure aimed at liquidation; or selling the hotel, either as a going concern or piecemeal, either enforced through a court (or a government authority like a debt collection agency) or through out of court procedure (receivership).

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assesment of Relevance</i> The indicator measures the potential costs of closing a business based on a standard case with a company with 201 employees. The indicator can thus only be a <u>proxy</u> measure for the potential costs for an entrepreneurial company as such companies seldom have more that 200 employees.	B
	<i>b) Assessment of Policy Indicator Typology</i> Policy implication focused indicator. A <u>direct</u> measure for policy instrument. Changing formal regulation will have a direct influence of the costs of closing a company.	A

2. Accuracy	<i>a) Data Collection Method</i> Action-based indicator coming from the World Bank. The cost figures are averages of the estimates in a multiple-choice question. Respondents are required to choose among the following options: 0-2 percent, 3-5 percent, 6-10 percent, 11-15 percent, 16-20 percent, 21-25 percent, 26-50 percent, and more than 50 percent of the estate value of the bankrupt business.	B
	<i>b) Cross-country Comparability</i> Fully comparable. The same methodology is used in every country. The data are derived from survey responses by local law firms, all members of the International Bar Association. Answers were provided by a senior partner at each firm, in co-operation with one or two junior associates.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/ClosingBusiness/	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.42 Actual Time to Close a Business

Definition:

The indicator measures the time it takes to close a business. Time is recorded in calendar years. The indicator is based on a standard business closure (Exhibit 1).

Exhibit 1

This indicator assumes that the business:

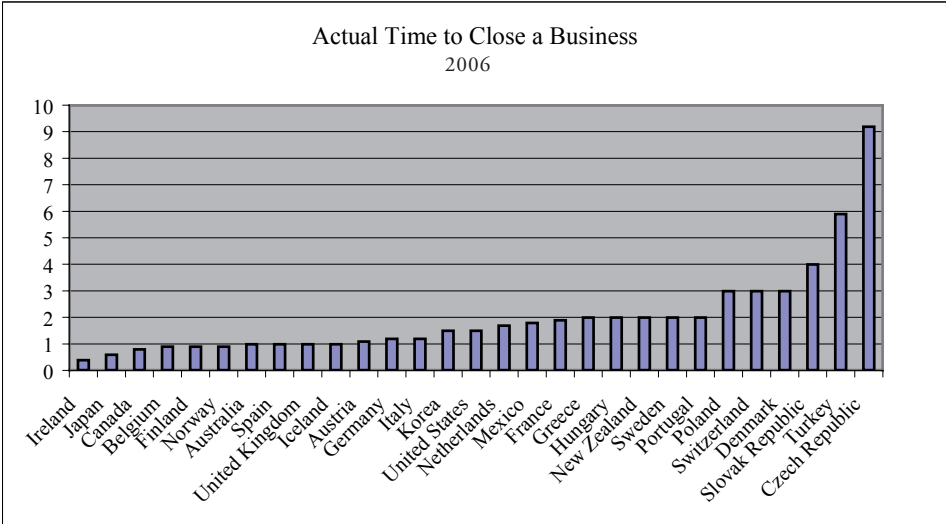
- is a limited liability company;
- operates in the country's most populous city;
- is 100 percent domestically owned, of which 51 percent is owned by its founder, who is also the chairman of the supervisory board (aside from the founder, there is no other shareholder who has above 1 percent of shares);
- has downtown real estate as its major asset, on which it runs a hotel;
- has a professional general manager;
- has average annual revenue of 1,000 times income per capita over the last three years;
- has 201 employees, and 50 suppliers, each supplier is owed money for the last delivery;
- borrowed from a domestic bank five years ago (the loan has 10 years to full repayment) and bought real estate (the hotel building), using it as a security for the bank loan;
- has observed the payment schedule and all other conditions of the loan up to now; and
- has a mortgage with the current value of the mortgage principal being exactly equal to the market value of the hotel.

It also assumes the following with regard to business closure

- In January 2004, the business experiences liquidity problems. The company's loss in 2003 brought its net worth to a negative figure. There is no cash to pay the bank either through interest or principal in full, due on January 2, 2004. Therefore, the business defaults on its loan. Management believes that losses will be incurred in 2004 and 2005 as well.
- The bank holds a floating charge against the hotel in countries where floating charges are possible. If the law does not permit a floating charge, some contracts may nevertheless use some other provision to that effect. This provision would be specified in the lending contract.
- The business has too many creditors to renegotiate out of court. Its options are: a procedure aimed at rehabilitation or any procedure that will reorganise the business to permit continue operation; a procedure aimed at liquidation; or selling the hotel, either as a going concern or piecemeal, either enforced through a court (or a government authority like a debt collection agency) or through out of court procedure (receivership).

Assessment		Grade
Overall		B
1. Relevance	<i>a) Assesment of Relevance</i> The indicator measures the time of closing a business based on a standard case with a company with 201 employees. The indicator can thus only be a <u>proxy</u> measure for the potential costs for an entrepreneurial company as entrepreneurial companies seldom have more that 200 employees.	B
	<i>b) Assessment of Policy Indicator Typology</i> Policy implication focused indicator. A <u>direct</u> measure for policy instrument. Changing formal regulation will have a direct influence of the time it takes to close a company.	A

2. Accuracy	<p><i>a) Data Collection Method</i></p> <p><u>Action</u>-based indicator, stemming from the World Bank.</p> <p>The cost of the bankruptcy proceedings is calculated based on answers by practicing insolvency lawyers. If several respondents report different estimates, the median reported value is used.</p>	B
	<p><i>b) Cross-country Comparability</i></p> <p><u>Fully comparable</u>. The same methodology is used in every country.</p> <p>The data are derived from survey responses by local law firms, all members of the International Bar Association. Answers were provided by a senior partner at each firm, in co-operation with one or two junior associates.</p>	A
3. Availability	<p><i>a) Availability across Countries</i></p> <p>The indicator is available for all OECD countries and for most World Bank countries.</p>	A
	<p><i>b) Availability over Time</i></p> <p>The indicator is available for 2006 and will be updated annually.</p>	A
Source	http://www.doingbusiness.org/ExploreTopics/ClosingBusiness	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.43 Bankruptcy Recovery Rate

Definition:

The recovery rate measures the efficiency of foreclosure or bankruptcy procedures. It estimates how many cents on the dollar claimants - creditors, tax authorities and employees - recover from an insolvent firm.

Exhibit 1

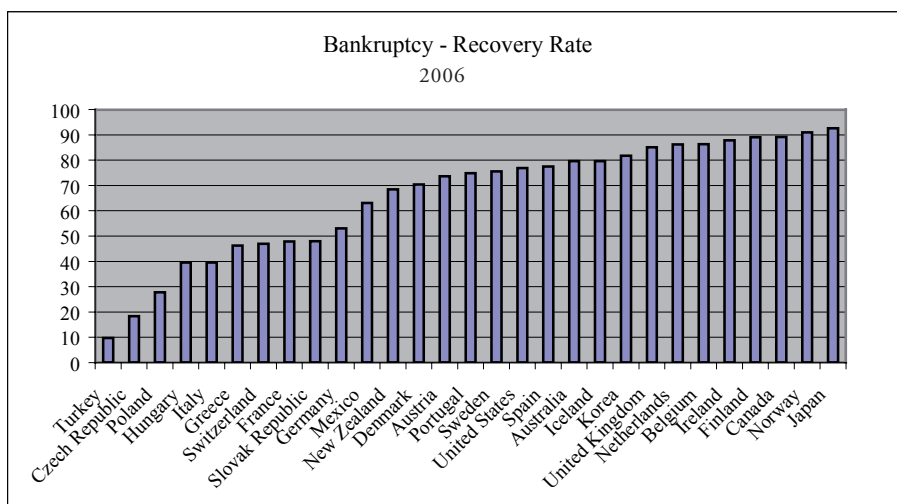
The following assumptions underlie the data:

- Assumption underlying the recovery rate:
The calculation takes into account whether the business is kept as a going concern during the proceedings, as well as court, attorney and other related costs and the discounted value due to the time spent closing down. If the business keeps operating, no value is lost on the initial claim, set at 100 cents on the dollar. If it does not, the initial 100 cents on the dollar are reduced to 70 cents on the dollar. Then the official costs of the insolvency procedure are deducted (1 cent for each percentage of the initial value). Finally, the value lost due to the time that the money remains tied up in insolvency procedures is taken into account, including the loss of value due to depreciation of the hotel furniture. Consistent with international accounting practice, the depreciation rate for office furniture is taken to be 20%. The value of the furniture is assumed to be a quarter of the total value of assets. The recovery rate is the present value of the remaining proceeds, based on end-2004 lending rates from the International Monetary Fund's International Financial Statistics, supplemented with data from central banks.
- Assumptions underlying the Business. The business:
 - o Is a limited liability company.
 - o Operates in the country's most populous city.

- o Is 100% domestically owned, with the founder, who is also the chairman of the supervisory board, owning 51% (besides the founder, no other shareholder holds more than 1% of shares).
- o Has downtown real estate, where it runs a hotel, as its major asset.
- o Has a professional general manager.
- o Has had average annual revenue of 1,000 times income per capita over the past 3 years.
- o Has 201 employees and 50 suppliers, each of whom is owed money for the last delivery.
- o Borrowed from a domestic bank 5 years ago (the loan has 10 years to full repayment) and bought real estate (the hotel building), using it as security for the bank loan.
- o Has observed the payment schedule and all other conditions of the loan up to now.
- o Has a mortgage, with the value of the mortgage principal being exactly equal to the market value of the hotel.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The indicator is a direct measure of investors' potential loss if a business closes. The recovery rate <u>directly</u> influences investors' incentives to invest in new business operations.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing bankruptcy legislation will have a <u>direct</u> impact on the recovery rate.	A
2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originating from the World Bank.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> - computed using the same methodology for all countries.	A

3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2005 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/ClosingBusiness/	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.44 Number of Procedures for Starting a Business

Definition:

The Number of procedures indicator records all generic procedures that are officially required for an entrepreneur to start an industrial or commercial business. These include obtaining all necessary licenses and permits, and completing any required notifications, verifications or inscriptions with relevant authorities for a new company (Exhibit 1).

Exhibit 1

The indicator assumes the following with regard to procedures:

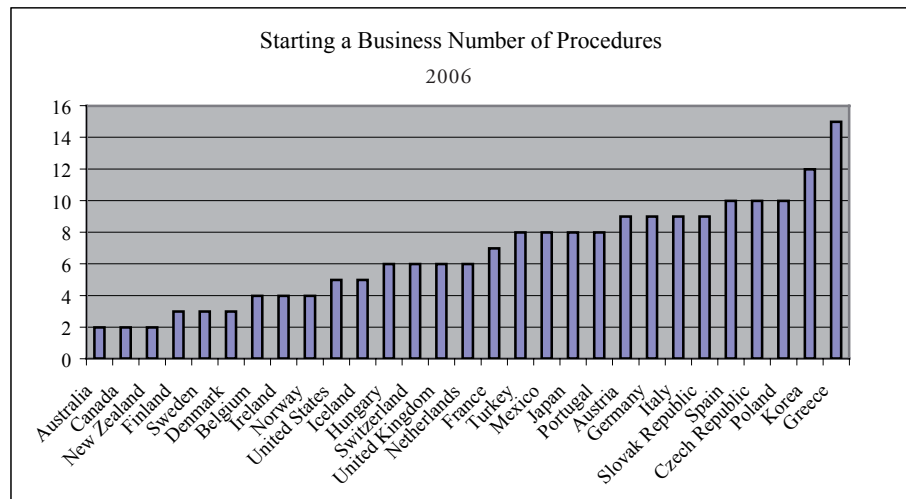
- A procedure is any interaction between the company founder and external parties (government agencies, lawyers, auditors, notaries, etc.). Interactions between company founders or company officers and employees are not considered separate procedures.
- The founders complete all procedures themselves, without middlemen, facilitators, accountants, lawyers, etc., unless law mandates the use of third parties.
- Procedures that are not required by law for starting a business are ignored. For example, obtaining exclusive rights over the company name is not counted in a country where businesses may use a number as identification.
- Shortcuts are counted only if they fulfil three criteria: they are legal and available to the general public, and are used because avoiding them causes substantial delays.
- Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses.
- Procedures that the company undergoes to connect to electricity, water, gas, and waste-disposal services are not included, unless they entail inspections required prior to starting operations.

The indicator assumes that the new business:

- is a limited liability company. If there is more than one type of limited liability company in the country, the most popular limited liability form among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office,
- operates in the country's most populous city,
- is 100 percent domestically owned and has five owners, none of whom is a legal entity,
- has a start-up capital of 10 times income per capita at the end of 2003, paid in cash,
- performs general industrial and/or commercial activities, such as producing or selling products or services to the public. It does not perform activities related to foreign trade and does not handle products subject to a special tax regime, for example liquor or tobacco. The business does not use heavily polluting production processes,
- leases the commercial plant and offices and is not a proprietor of real estate,
- does not qualify for investment incentives or any special benefits,
- has up to 50 employees one month after the commencement of operations, all of them nationals,
- has a turnover at least 100 times income per capita, and
- has a company deed 10 pages long

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The indicator is a <u>direct</u> measure of the administrative burdens resulting from the process of becoming an entrepreneur.	A

	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulation will have a <u>direct</u> impact on the number of procedures for starting a company. Policies easing the administrative burdens include initiatives relaxing the legal requirements needed to start and run a company including the legal regulations related to hiring employees, meeting environmental standards, exporting, making annual accounts and other types of compulsory duties.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based. In every country the same methodology is used.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable.</u>	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/CustomQuery/	



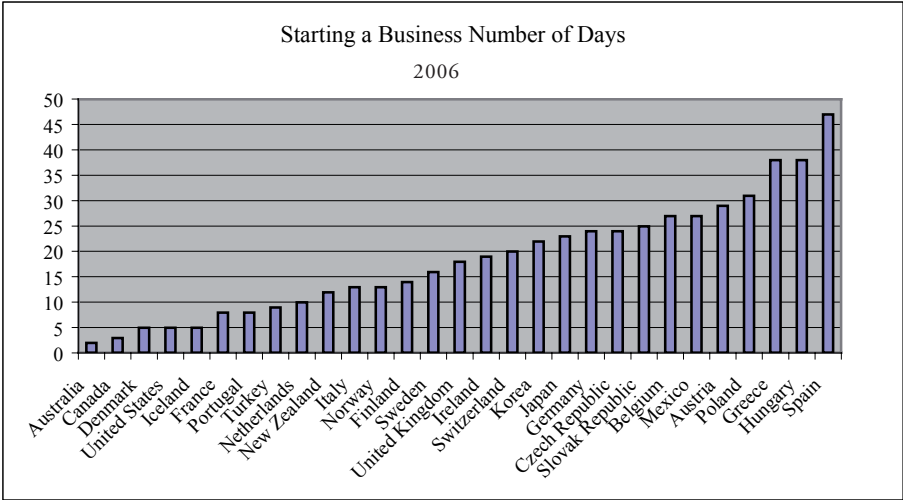
Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.45 Number of Days for Starting a Business

Definition:

This indicator measures the average time spent during each enterprise start-up procedure. Time is recorded in calendar days based on standard assumptions about time; the company and procedure (see description of number of procedures for starting a business indicator for at description of assumptions, etc.).

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The indicator is a <u>direct</u> measure of the administrative burdens resulting from the process of becoming an entrepreneur.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulation will have a <u>direct</u> impact on the amount of time needed to fulfill each procedure in the business start-up stage.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same methodology is used in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/StartingBusiness/	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

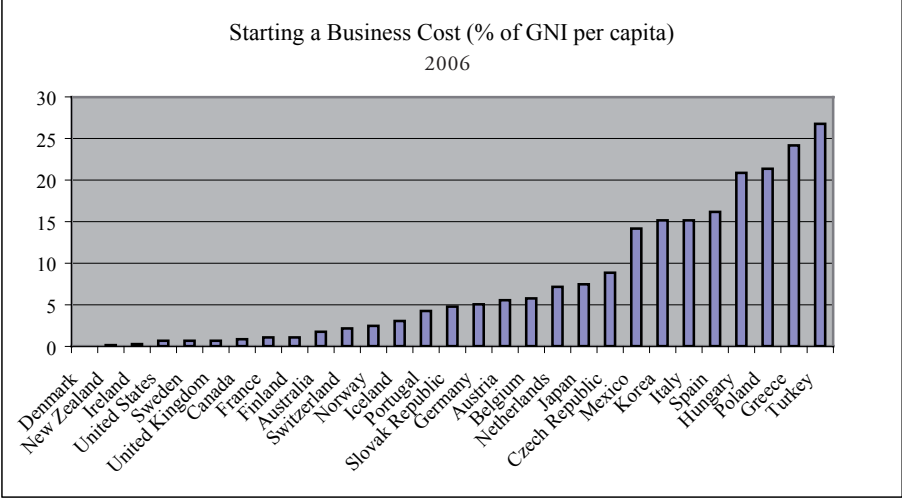
3.2.46 Costs Required to Start a Business

Definition:

The indicator measures the official cost of each procedure in percentage of GNI per capita based on formal legislation and standard assumptions about business and procedure (see description of Number of procedures for starting a business indicator for at description of assumptions, etc.).

The indicator measures only the politically influenced costs of starting a business.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The indicator is a <u>direct</u> measure of the administrative burdens resulting from the process of becoming an entrepreneur.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulation will have a <u>direct</u> impact on the costs to fulfill each procedure for starting a company.	A
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact</u> -based.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same methodology is used in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/StartingBusiness/	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.47 Regulatory and Administrative Opacity Index

Definition:

The *regulatory and administrative opacity index* consists of two components: information on licenses and permits system, and communication and simplification of rules and procedures in at least some markets in 24 manufacturing and service sectors.

Information on Licenses and permits systems reflects the use of ‘one-stop shops’ and ‘silence is consent’ rules for getting information on and issuing licenses and permits. This component is based on fact-based questions (Exhibit 1).

Exhibit 1 Low-level Indicator: Licenses and Permits System

Licenses and Permits System	Question Weights (c _k)	Coding of answers	
		Yes	No
The ‘silence is consent’ rule (i.e. that licenses are issued automatically if the competent licensing office has not acted by the end of the statutory response period) is used.	1/3	0	6
There are single contact points (one-stop-shops) for getting information on notifications and licenses.	1/3	0	6
There are single contact points (one-stop shops) for issuing or accepting on notifications and licenses.	1/3	0	6

Communication and simplification of rules and procedures reflects a government's communication strategy and efforts to reduce and simplify the administrative burden of interacting with government.

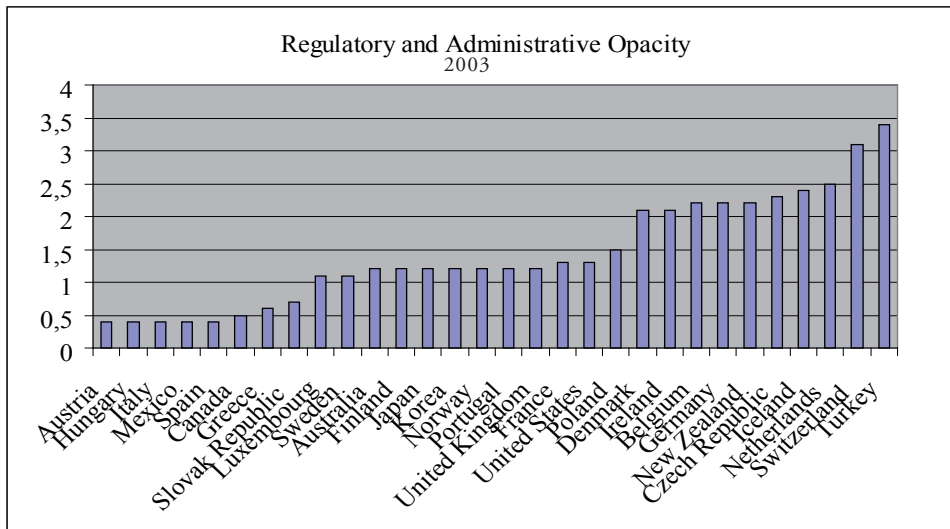
Exhibit 2. Low-level Indicators: Communication and Simplification of Rules and Procedures

Respondents are asked if:	Question Weights (c_k)	Coding of answers		
		Yes	No	
Communication	1/2			
There are systematic procedures for making regulations known and accessible to affected parties.	2/12	0	6	
There is a general policy requiring plain language drafting of regulation.	1/3	0	6	
There are enquiry points where affected or interested foreign parties can get information on the operation and enforcement of regulations.	3/12	0	6	
Affected parties have the right to appeal against adverse enforcement decisions in individual cases.	4/12	Yes or in all cases 0	In some cases 3	No 6

Government policy imposes specific requirements in relation to transparency/freedom of information throughout public administration.	2/12	Government Wide 0	For some sectors 3	No 6
Simplification	$\frac{1}{2} * W_i / \text{Max}W_{98}$			
National government (all ministries and agencies) keeps a complete count of the number of permits and licenses required.	1/3	0		6
There is an explicit programme to reduce the administrative burdens imasked by government on enterprises and/or citizens.	1/3	0		6
There is a programme underway to review and reduce the number of licenses and permits required by the national government.	1/3	0		6

Licenses and permits system and communication is allocated a weight of 0,55 in the regulatory and administrative opacity, which is indexed against 0,45 for the indicator of *simplification of rules and procedures* (OECD, ECO/WPK(2005)6, p. 8).

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The lack of opacity in the administrative legislation concerning starting and managing a business is a <u>direct</u> measure of the administrative burdens resulting from starting of a business.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. A <u>direct</u> measure for a policy instrument. Changing formal regulation concerning licenses and permits system, and communication and simplification of rules and procedures will have <u>direct</u> influence of the size of the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> <u>Fact</u> -based indicator. It does not focus on informal regulatory practices or enforcement practices.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same methodology is used in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the OECD countries (30 countries).	A
	<i>b) Availability over Time</i> The indicator is available for years 1998 and 2003. The data will not be updated annually; however some of the data may be updated at a later stage.	A
Source	The data is published in the OECD report, ECO/WKP(1999)18. Available online: http://www.oalis.oecd.org/olis/1999doc.nsf/c16431e1b3f24c0ac12569fa005d1d99/5ef586bbe13dd52ac125684a003a8da0/\$FILE/00075836.PDF . New data: ECO/WKP(2005)6.	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.48 Administrative Burdens on Firm Creation

Definition:

Measures the administrative burdens on the creation of corporations, the administrative burdens on the creation of sole proprietor firms and sector-specific administrative burdens in the road transport and retail distribution sectors.

Indicators: administrative burdens for corporations

Number of mandatory procedures required to register a public limited company

Number of public and private bodies to contact to register a public limited company

Number of working days required to complete all mandatory procedures for registering a public limited company

Total cost (euros) of registering a public limited company

Indicators: administrative burdens for sole proprietor firms

Number of mandatory procedures required to register a public limited company

Number of public and private bodies to contact to register a public limited company

Number of working days required to complete all mandatory procedures for registering a public limited company

Total cost (euros) of registering a public limited company (pre-registration+registration)

Indicators: sector-specific administrative burdens

Road freight

In order to establish a national road freight business, operators need to obtain a license (other than a driving license) or permit from the government or a regulatory agency

In order to establish a national road freight business, operators need to notify any level of government or a regulatory agency and wait for approval before they can start operation

Registration in transport register is required in order to establish a new business in the road freight sector

In order to operate a national road freight business, operators need to notify any level of government or a regulatory agency

There are criteria other than technical and financial fitness and compliance with public safety requirements considered in decisions on entry of new operators

These entry regulations apply also if a firm wants to transport only for its own account

Retail distribution

Registration in commercial register is needed to start up a commercial activity for selling food products

Registration in commercial register is needed to start up a commercial activity for selling clothing products

Notification to authorities is needed to start up a commercial activity for selling food products

Notification to authorities is needed to start up a commercial activity for selling clothing products

Licenses or permits are needed to engage in commercial activity (not related to outlet sitting) for selling food products

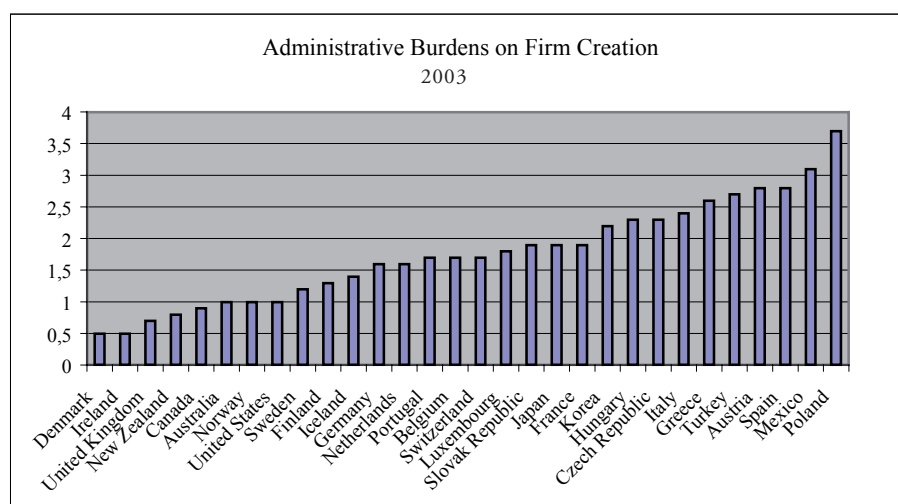
Licenses or permits are needed to engage in commercial activity (not related to outlet sitting) for selling clothing products

Licenses or permits are needed for outlet sitting (in addition to compliance with general urban planning provisions) for selling food products

Licenses or permits are needed for outlet siting (in addition to compliance with general urban planning provisions) for selling clothing products

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> Administrative Burdens on Firm Creation shows the extent of administrative barriers when starting a new business.	A
	<i>b) Assessment of Policy Indicator Typology</i> Administrative Burdens on Firm Creation is fact-based and therefore policy initiatives will have an <u>direct</u> impact on the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> Fact based indicator. The indicators only record 'objective' data about rules and regulations, as opposed to 'subjective' assessments of market participants in indicators based on opinion surveys. This makes them comparable across countries.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same methodology is used in every country.	A

3. Availability	<i>a) Availability across Countries</i> Data is available for the 30 OECD countries	A
	<i>b) Availability over Time</i> The indicator is available for years 1998 and 2003. The data will not be updated annually; however some of the data may be updated at a later stage.	A
Source	http://www.oilis.oecd.org/oilis/2005doc.nsf/43bb6130e5e86e5fc12569fa005d004c/72b2dfdd81a241c5c1256fab008278e5/\$FILE/JT00181518.PDF New Data: ECO/WKP (2005)6	

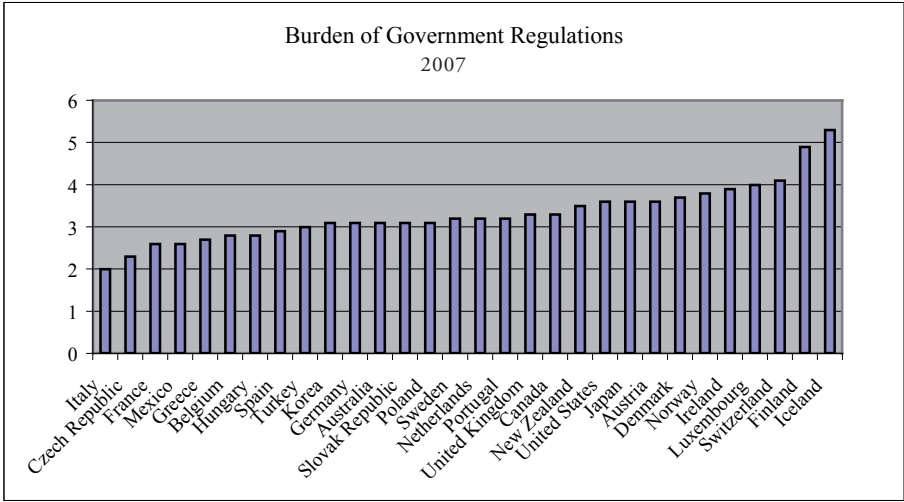


3.2.49 Burdens of Government Regulation

Definition:

Complying with administrative requirements (permits, regulations, reporting) issued by the government in your country is (1= burdensome, 7 = not burdensome).

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assessment of Relevance</i> Burden of government regulations is an <u>indirect</u> measure to which extent the administrative system is perceived as complex when starting a new business.	A
	<i>b) Assessment of Policy Indicator Typology</i> Burden of Government Regulations is <u>survey</u> based and therefore policy initiatives will only have a <u>indirect</u> impact on the indicator.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is based on WEF's Executive Opinion Survey.	C
	<i>b) Cross-country Comparability</i> Data is <u>fully comparable</u> across countries.	B
3. Availability	<i>a) Availability across Countries</i> Data is available for 125 countries	A
	<i>b) Availability over Time</i> The data will be updated every year.	B
Source	WEF, The Global Competitiveness Report 2006-2007, Table 1,07	



3.2.50 Registering Property

Definition

The indicator is an average of three measurements: 1) Number of procedures legally required to register property, 2) Time spent in completing the procedures and 3) Registering property costs (Exhibit 1).

The three sub-indicators have been normalized on a scale from 1 to 100 before taking the average and thereby constructing the indicator.

Exhibit 1

The data contains the full sequence of procedures necessary when a business purchases land and a building to transfer the property title from the seller to the buyer so that the buyer can use the property for expanding its business, as collateral in taking new loans or, if necessary, to sell to another business. Every required procedure is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf.

- The following assumptions and definitions underlie the data:
 - o Is a limited liability company.
 - o Is located in a periurban area of the country's most populous city.
 - o Is 100% domestically and privately owned.
 - o Has 50 employees, all of whom are nationals.
 - o Performs general commercial activities.
- Assumptions about the property:
 - o Has a value of 50 times income per capita.
 - o Is fully owned by another domestic limited liability company.
 - o Has no mortgages attached and has been under the same ownership for the past 10 years.
 - o Is adequately measured and filed in the cadastre, registered in the land registry and free of title disputes.

- o Is located in a periurban commercial zone, and no rezoning is required.
- o Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A 2-story warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. The property of land and building will be transferred in its entirety.
- o Will not be subject to renovations or additional building following the purchase.
- o Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- o Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- o Has no occupants (legal or illegal), and no other party holds a legal interest in it

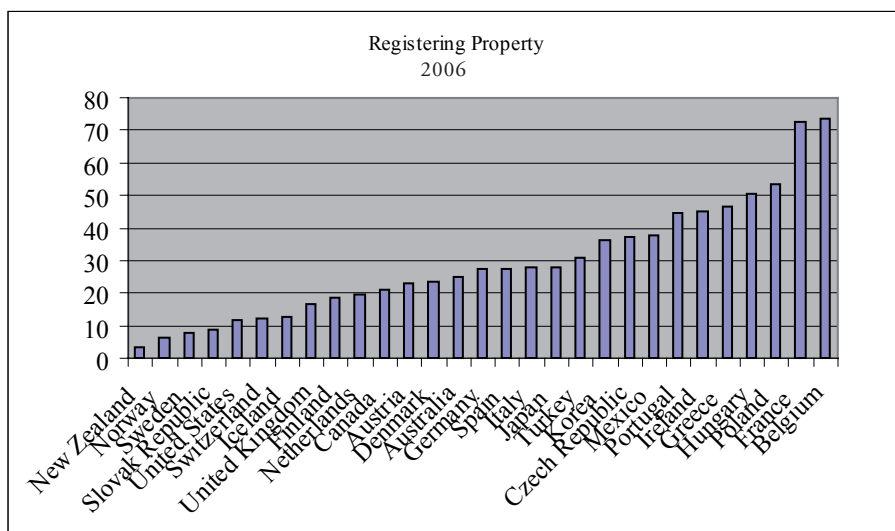
- Definition of procedures:

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available and used by the general public. Although the business may use lawyers or other professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

- **Definition of time:**
Time is recorded in calendar days. The measure captures the median duration that property lawyers or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the general public is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.
- **Definition of Cost:**
Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capital gains tax or value added tax, are excluded from the cost measure. If cost estimates differ among sources, the median reported value is used.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The indicator, Registering Property, is a <u>direct</u> measure of administrative burdens which can arise during a business operation.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulations will have a <u>direct</u> impact on administrative burdens arising from an entrepreneur registering property.	A

2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originating from the World Bank.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> - computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/RegisteringProperty	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.51 Procedures, Time and Costs to Build a Warehouse

Definition:

The indicator is an average of three measurements: 1) Average time spent during each procedure, 2) Official cost of each procedure and 3) Number of procedures to build a warehouse (Exhibit 1).

The three sub-indicators have been normalized on a scale from 1 to 100 before taking the average and thereby constructing the indicator.

Exhibit 1

The following assumptions and definitions underlie the data:

- Assumptions about the construction company:
 - o Is a limited liability company.
 - o Operates in the country's most populous city.
 - o Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
 - o Carries out construction projects, such as building a warehouse.
 - o Has up to 20 builders and other employees, all of them nationals with the technical expertise and professional experience necessary to develop architectural and technical plans for building a warehouse.
- Assumptions about the warehouse project. The Warehouse:
 - o Has 2 stories and approximately 14,000 square feet (1,300.6 square meters). Each floor is 9 feet, 10 inches (3 meters) high.
 - o Is located in a periurban area of the country's most populous city.
 - o Is located on a land plot of 10,000 square feet (929 square meters), which is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.
 - o Is a new construction (there was no previous construction on the land).
 - o Has a complete architectural and technical plan.

- o Will be connected to electricity, water, sewerage and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.

- o Will require a 10-ampere power connection and 140 kilowatts of electricity.

- o Will be used for storing books.

- Definition of procedures:

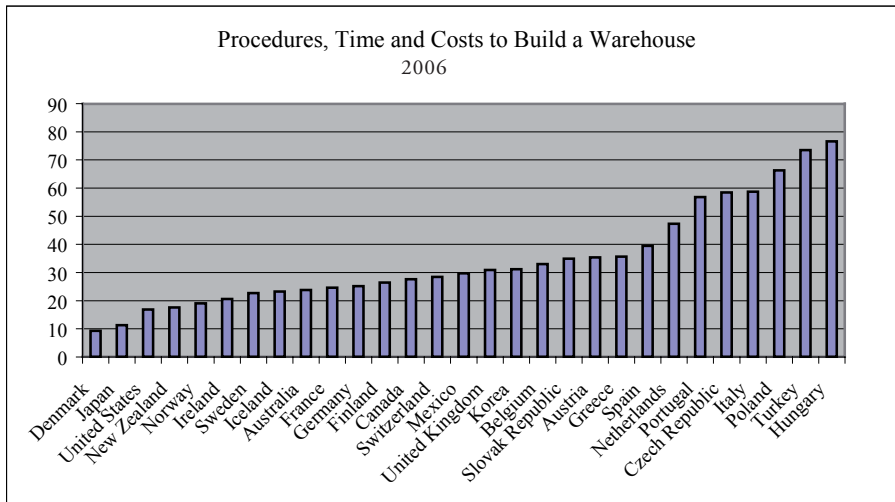
A procedure is any interaction of the company's employees or managers with external parties, including government agencies, public inspectors, notaries, the land registry and cadastre and technical experts apart from architects and engineers. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. Procedures that the company undergoes to connect to electricity, water, sewerage and phone services are included. All procedures that are legally or in practice required for building a warehouse are counted, even if they may be avoided in exceptional cases.

- Definition of time:

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is ignored. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

- Definition of cost:
Cost is recorded as a percentage of the country's income per capita. Only official costs are recorded. The building code, specific regulations and fee schedules and information from local experts are used as sources for costs. If several local partners provide different estimates, the median reported value is used. All the fees associated with completing the procedures to legally build a warehouse, including utility hook-up, are included.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> Procedures, time and cost spent when building a warehouse is a <u>direct</u> measure of administrative burdens which can arise during a business operation.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulations will have a <u>direct</u> impact on administrative burdens arising when building a warehouse.	A
2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originating from the World Bank.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> - computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/DealingWithLicenses	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.52 Enforcing Contracts

Definition:

The indicator is an average of three measurements: 1) Enforcing contracts number of procedures, 2) Enforcing contracts – time and 3) Enforcing contracts cost (% of debts) (Exhibit 1).

The three sub-indicators have been normalized on a scale from 1 to 100 before taking the average and thereby constructing the indicator.

Exhibit 1

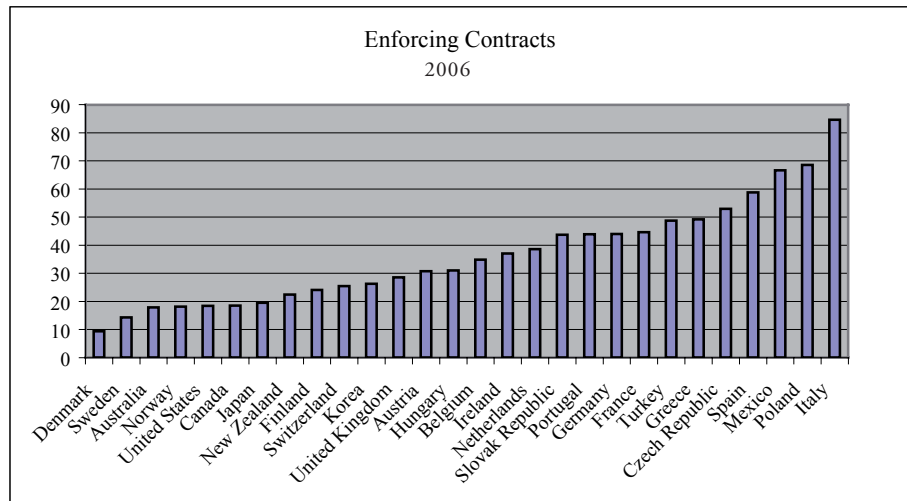
The following assumptions are made about the case:

- The value of the claim equals 200 percent of the country's income per capita.
- The plaintiff has fully complied with the contract (that is, the plaintiff is 100% right).
- The case represents a lawful transaction between businesses located in the country's most populous city.
- The plaintiff files a lawsuit to enforce the contract.
- A court in the most populous city decides the dispute.
- The defendant attempts to delay service of process but it is finally accomplished.
- The defendant opposes the complaint (default judgment is not an option) on the grounds that the delivered goods were not of adequate quality.
- The plaintiff introduces documentary evidence and calls one witness. The defendant calls one witness. Neither party presents objections.
- The judgment is in favor of the plaintiff and the defendant does not appeal the judgment.
- The plaintiff takes all required steps for prompt enforcement of the judgment. The debt is successfully collected through sale of the defendant's movable assets (such as a vehicle) at a public auction.

- **Definition of Procedures:**
A procedure is defined as any interaction mandated by law or court regulation between the parties, or between them and the judge (or administrator) or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- **Definition of time:**
Time is recorded in calendar days, counted from the moment the plaintiff files the lawsuit in court until payment. This includes both the days when actions take place and the waiting periods between actions. The respondents make separate estimates of the average duration of different stages of dispute resolution: the completion of service of process (time to file the case), the issuance of judgment (time for the trial) and the moment of payment (time for enforcement).
- **Definition of cost:**
Cost is recorded as a percentage of the claim, assumed to be equivalent to 200% of income per capita. Only official costs required by law are recorded, including court costs and average attorney fees where the use of attorneys is mandatory or common.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> Enforcement of contracts is a <u>direct</u> measure of administrative burdens which can arise during a business operation.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulations will have a <u>direct</u> impact on administrative burdens arising when enforcing a contract.	A
2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originating from the World Bank.	A

	<i>b) Cross-country Comparability</i> Fully comparable - computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/EnforcingContracts/CompareAll.aspx http://www.doingbusiness.org/CustomQuery/	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.53 Time it takes to Prepare, File and Pay the Corporate Income Tax, the VAT and Social Security Contributions

Definition:

Time it takes to prepare, file and pay (or withhold) the corporate income tax, the value added tax and social security contributions (in hours per year).

Exhibit 1

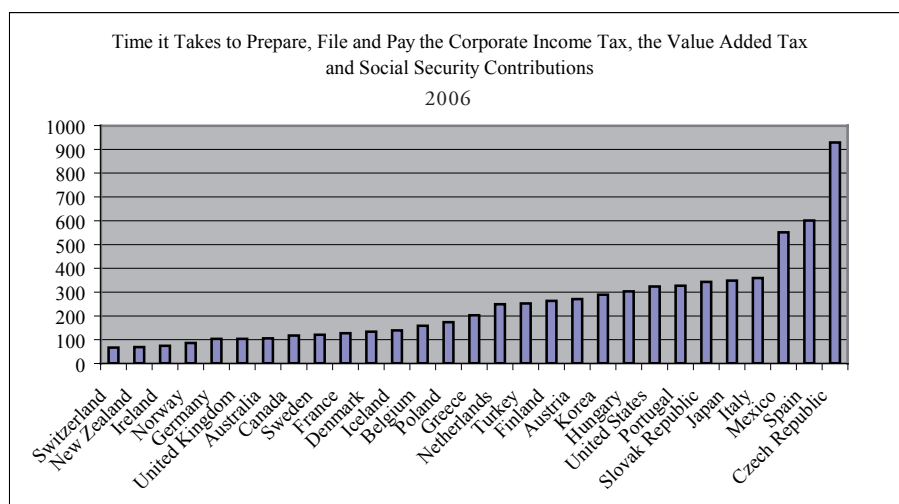
The following assumptions and definitions underlie the data:

- Assumptions about the business. The business:
 - o Is a limited liability, taxable company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. Incorporation lawyers or the statistical office report the most popular form.
 - o Started operations on January 1, 2004. At that time the company purchased all the assets shown in its balance sheet and hired all its workers.
 - o Operates in the country's most populous city.
 - o Is 100% domestically owned and has 5 owners, all of whom are natural persons.
 - o Has a start-up capital of 102 times income per capita at the end of 2004.
 - o Performs general industrial or commercial activities. Specifically, it produces ceramic flowerpots and sells them at retail. It does not participate in foreign trade (no import or export) and does not handle products subject to a special tax regime, for example, liquor or tobacco.
 - o Owns 2 plots of land, 1 building, machinery, office equipment, computers and 1 truck and leases another truck.
 - o Does not qualify for investment incentives or any special benefits apart from those related to the age or size of the company.

- o Has 60 employees - 4 managers, 8 assistants and 48 workers. All are nationals, and 1 of the managers is also an owner.
- o Has a turnover of 1,050 times income per capita.
- o Makes a loss in the first year of operation.
- o Has the same gross margin (pre-tax) across all economies.
- o Distributes 50% of its profits as dividends to the owners at the end of the second year.
- o Sells one of its plots of land at a profit during the second year.
- o Is subject to a series of detailed assumptions on expenses and transactions to further standardize the case.
- Definition of time:
Time is recorded in hours per year. The indicator measures the time to prepare, file and pay (or withhold) three major types of taxes: the corporate income tax, value added or sales tax and labor taxes, including payroll taxes and social security contributions. Preparation time includes the time to collect all information necessary to compute the tax payable. If separate accounting books must be kept for tax purposes—or separate calculations must be made for tax purposes—the time associated with these processes is included. Filing time includes the time to complete all necessary tax forms and make all necessary calculations. Payment time is the hours needed to make the payment online or at the tax office. When taxes are paid in person, the time includes delays while waiting.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The time spent preparing, filing and paying taxes is a <u>direct</u> measure of administrative burdens which arise during a business operation.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing formal regulations will have a <u>direct</u> impact on administrative burdens when paying taxes.	A

2. Accuracy	<i>a) Data Collection Method</i> The data is <u>fact</u> -based. Data originating from the World Bank.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> - computed using the same methodology for all countries.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	B
Source	http://www.doingbusiness.org/ExploreTopics/PayingTaxes/	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.54 Difficulty of Hiring

Definition:

The index measures whether laws or other regulations have implications for the difficulties of hiring a standard worker in a standard company (Exhibit 1).

Based on fact-based (yes/no) questions but remodelled into a 0-100 index.

Exhibit 1

The index measures:

- whether term contracts can only be used for temporary tasks. (*A country is assigned a score of 1 if term contracts can only be used for temporary tasks and a score of 0 if term contracts can be used for any task*);
- the maximum duration of term contracts (*A score of 1 is assigned if the duration of term contracts is 3 years or less; 0.5 if the duration is between 3 and 5 years; and 0 if term contracts can last more than 5 years*);
- the ratio of the mandated minimum wage (or apprentice wage, if available) to the average value-added per working population. (*A score of 1 is assigned if the ratio of minimum wage to average value added per worker ratio is higher than 0.75; 0.67 for ratios between 0.50 and 0.75; 0.33 for ratios between 0.25 and 0.50; and a score of 0 if the ratio is below 0.25*).

The score is based on regulatory implications on a standard worker and company. Regulative implications may vary among workers and companies. The indicator is based on several assumptions about worker and company:

The worker

- is a non-executive, full-time male employee who has worked in the same company for 20 years;
- earns a salary plus benefits equal to the country's average wage during the entire period of his employment;

- has a non working wife and two children and the family resides in the country's most populous city;
- is a lawful citizen who belongs to the same race and religion as the majority of the country's population;
- is not a member of the labor union, unless membership is mandatory.

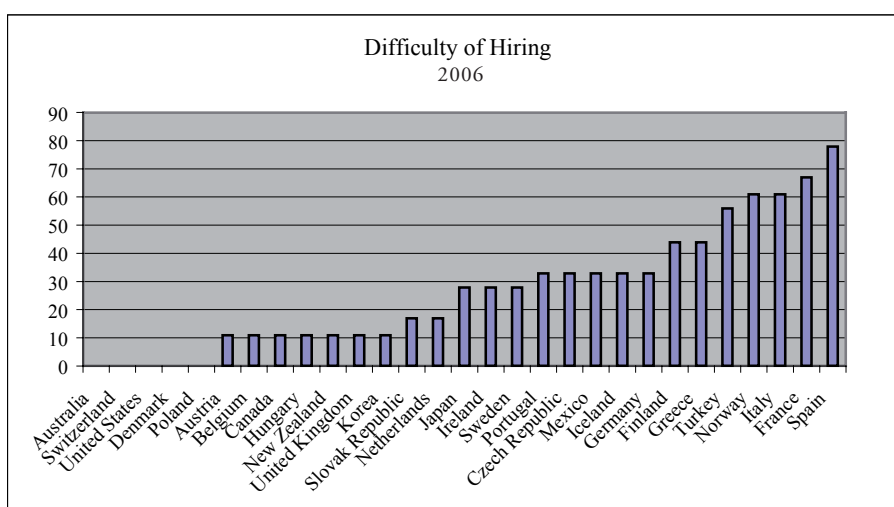
The business:

- is a limited liability company that operates in the country's most populous city;
- is a 100 percent domestically owned that operates in the manufacturing sector;witness. Neither party presents objections.
- has 201 employees, and abides by every law and regulation, but does not grant workers more benefits than legally mandated.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The indicator is a <u>direct</u> measure of some of the potential administrative burdens resulting from one becoming a high growth entrepreneur, namely the burdens connected to hiring employees.	A

	<p><i>b) Assessment of Policy Indicator Typology</i> Changing formal labor market regulation will have a direct impact of the size of the indicator.</p> <p>Note that in some countries some of the regulations are based on agreements between the parties on the labour market, who have no tradition for political interference.</p> <p>The indicator has been remodelled into index 0 – 100, which makes the indicator an <u>indirect</u> measure (it is <i>a priori</i> unclear what is needed to change a country from 70 to 35).</p>	A
2. Accuracy	<p><i>a) Data Collection Method</i> The indicator is <u>fact</u>-based. It measures formal regulation for an standard company and worker. In every country the same methodology is used.</p> <p>The score is based on regulatory implications on a standard worker and company. Regulative implications may vary among workers and companies. The indicator will not catch specific difficulties of hiring differences related to different sectors or in special cases.</p>	A
	<p><i>b) Cross-country Comparability</i> <u>Comparable to some extent.</u> To be fully comparable the assumptions about worker and company has to encompass the majority of workers and companies in the countries compared. The typical size of companies varies substantially between compared countries.</p>	B

3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> Data available for 2006 and will be updated annually.	A
Source	http://www.doingbusiness.org/ExploreTopics/HiringFiringWorkers/Default.aspx?direction=asc&sort=1	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.55 Difficulty of Firing

Definition:

The index measures whether laws or other regulations have implications for the difficulties of firing a standard worker in a standard company (Exhibit 1).

Based on fact based (yes/no) questions but remodelled to 0-100 index.

Exhibit 1

Exhibit 1

The index measures:

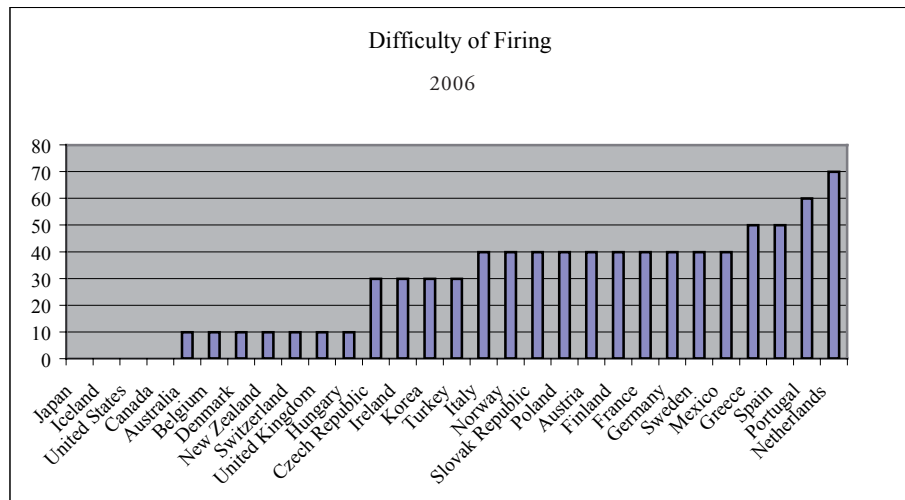
- (i) whether redundancy is not grounds for dismissal;
- (ii) whether the employer needs to notify the labor union or the labor ministry for firing one redundant worker;
- (iii) whether the employer needs to notify the labor union or the labor ministry for group dismissals;
- (iv) whether the employer needs approval from the labor union or the labor ministry for firing one redundant worker;
- (v) whether the employer needs approval from the labor union or the labor ministry for group dismissals;
- (vi) whether the law mandates training or replacement prior to dismissal;
- (vii) whether priority rules apply for dismissals; and
- (viii) whether priority rules apply for re-employment

If the answer to any question is yes, a score of 1 is assigned; otherwise a score of 0 is given. Questions (i) and (iv) have double-weight in the construction of the final index.

The score is based on regulatory implications on a standard worker and company.

Assessment	Grade
Overall	A
1. Relevance	<p data-bbox="378 344 722 383"><i>a) Assesment of Relevance</i></p> <p data-bbox="378 389 986 551">The indicator is a <u>direct</u> measure of some of the potential administrative burdens resulting from being an entrepreneur, namely the burdens connected to firing employees.</p> <p data-bbox="378 562 940 600"><i>b) Assessment of Policy Indicator Typology</i></p> <p data-bbox="378 607 967 723">Changing formal labor market regulation will have a <u>direct</u> impact of the size of the indicator.</p> <p data-bbox="378 757 979 918">Note that in some countries some of the regulations are based on agreements between the parties on the labour market, with no tradition for political interference.</p> <p data-bbox="378 972 986 1171">The Indicator has been remodeled into index 0-100, which makes the indicator an indirect measure (it is <i>a priori</i> unclear what is needed to change a country from 70 to 35).</p>
2. Accuracy	<p data-bbox="378 1189 743 1227"><i>a) Data Collection Method</i></p> <p data-bbox="378 1234 979 1395">The indicator is <u>fact</u>-based. Measures formal regulation for an ideal-type company and worker. The same methodology is used in every country.</p> <p data-bbox="378 1440 979 1684">The score is based on regulatory implications on a standard worker and company. Regulative implications may vary among workers and companies. The indicator will not catch hiring differences in specific sectors or in special cases.</p>

	<i>b) Cross-country Comparability</i> Comparable to some extent. In order to be fully comparable, the assumptions about the worker and company have to encompass the majority of workers and companies in the countries compared. The typical size of companies varies substantially between compared countries.	B
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2006 and will be updated annually.	A
Source	Link: http://www.doingbusiness.org/ExploreTopics/HiringFiringWorkers/Default.aspx?direction=asc&sort=1	



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.56 Ease of Hiring Foreign Labour

Definition:

Labour regulation in your country (1 = prevents your company from employing foreign labor, 7 = does not prevent your company from employing foreign labor)

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> Ease of Hiring Foreign Labour is an <u>indirect</u> measure of the ease of hiring foreign labour.	B
	<i>b) Assessment of Policy Indicator Typology</i> Ease of Hiring Foreign Labour is based on the respondent's assessment and therefore policy initiatives will only have an <u>indirect</u> impact on the indicator.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is based on WEF's Executive Opinion Survey.	C
	<i>b) Cross-country Comparability</i> Data is fully comparable across countries	B
3. Availabi- lity	<i>a) Availability across Countries</i> Data is available for 125 countries	A
	<i>b) Availability over Time</i> Updated annually	B
Source	WEF, The Global Competativeness Report 2006-2007, Table 6,31	

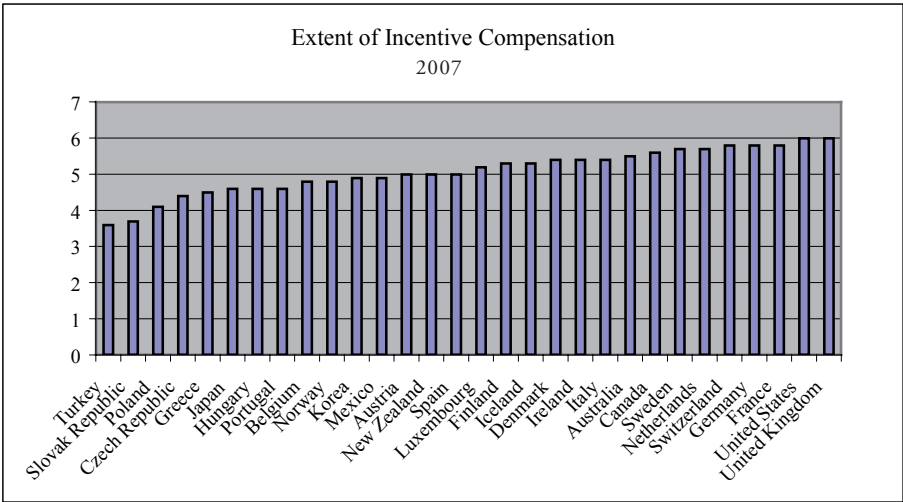


3.2.57 Extent of Incentive Compensation

Definition:

Cash compensation of management (1 = is based exclusively on salary, 7 = includes bonuses and stock options, representing a significant portion of overall compensation).

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> The indicator is an <u>indirect</u> measure of the scope of incentive compensation.	B
	<i>b) Assessment of Policy Indicator Typology</i> Extent of incentive compensation is <u>sur-</u> <u>vey</u> based. Policy initiatives will only have <u>indirect</u> impact on the indicator.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is based on WEF's Executive Opinion Survey.	C
	<i>b) Cross-country Comparability</i> Data is fully comparable across countries	B
3. Availabi- lity	<i>a) Availability across Countries</i> data is available for 125 countries	A
	<i>b) Availability over Time</i> Opdateres annually,	B
Source	WEF, The Global Competativeness Report 2006-2007, Table 8,12	



3.2.58 The Rigidity of Hours

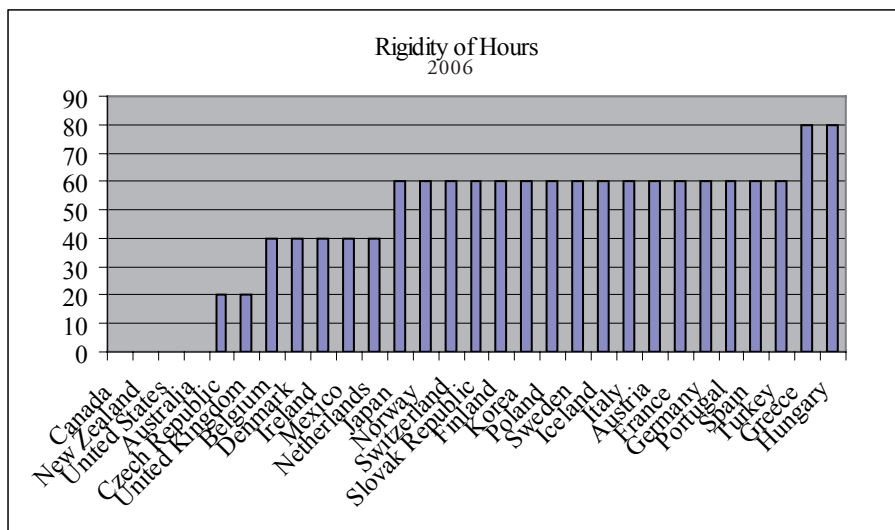
Definition:

The indicator measures the rigidity of working overtime.

The indicator is an index with five components: (i) whether night work is restricted; (ii) whether weekend work is allowed; (iii) whether the work week consists of five and a half days or more; (iv) whether the workday can extend to 12 hours or more (including overtime); and (v) whether the annual paid vacation days are 21 days or less. If the answer is no on any of these questions, the country is assigned a score of 1, otherwise a score of 0 is assigned. The questions are based on standard assumptions on worker and company (See the indicator above “Difficulty of Hiring” for a description of the assumptions).

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assesment of Relevance</i> The indicator is a <u>direct</u> measure of some of the potential administrative burdens resulting from becoming an entrepreneur, namely the rigidity connected to having employees working more that standard.	A
	<i>b) Assessment of Policy Indicator Typology</i> Changing formal regulation will have a <u>direct</u> impact on the size of the indicator. Note that in some countries some of the regulations are based on agreements between the parties on the labour market with no tradition for political interference Indicator has been remodelled into index 0 – 100, which makes the indicator an indirect measure (it is a priori unclear what is needed to change a country from 70 to 35).	A

2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>fact-based</u> . Measures formal regulation for an ideal-type company and worker. In every country the same methodology is used. The score is based on regulatory implications on a standard worker and company. Regulative implications may vary among workers and companies. The indicator will not catch difficulty of hiring differences in specific sectors or in special cases.	A
	<i>b) Cross-country Comparability</i> <u>Comparable to some extent</u> . To be fully comparable the assumptions about worker and company have to encompass the majority of workers and companies in the countries compared. The typical size of companies varies substantially between compared countries.	B
3. Availability	<i>a) Availability across Countries</i> The indicator is available for all OECD countries and for most World Bank countries.	A
	<i>b) Availability over Time</i> The indicator is available for 2004 and will be updated annually.	A
Source	Link: http://www.doingbusiness.org/ExploreTopics/HiringFiringWorkers/Default.aspx?direction=asc&sort=1	



3.2.59 Number of Administrative Procedures when Recruiting First Employee

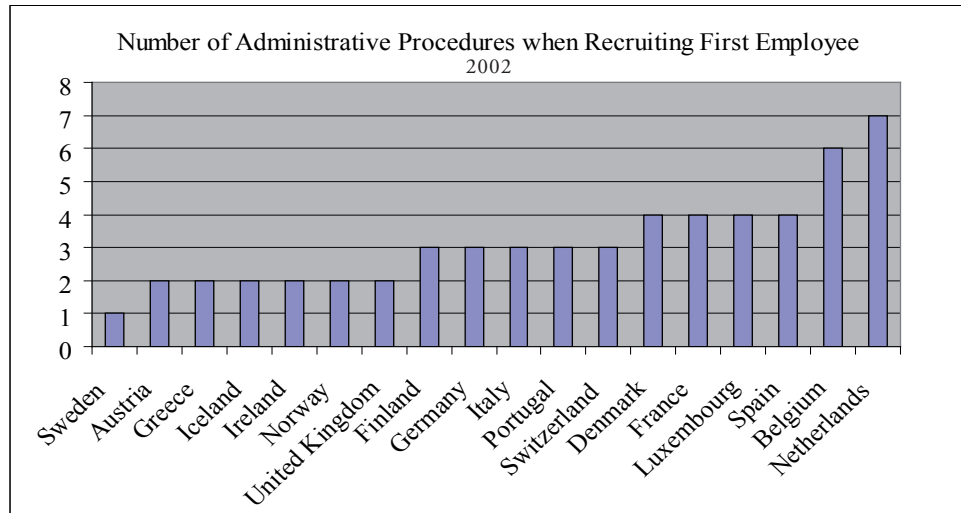
Definition:

The indicator measures all obligatory contacts that employers have to make with administrative offices in the recruitment process of the first employee.

Procedures relevant to specific groups of enterprises are omitted.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The indicator is a <u>direct</u> measure for the administrative burdens resulting from hiring of the first employee.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing the legislation for hiring the first employee will have <u>direct</u> influence of the size of the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> <u>Fact</u> -based indicator. The same methodology is used In every country.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> although procedures relevant to specific groups of enterprises are omitted.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the EU countries, but not for the non-EU OECD countries.	B
	<i>b) Availability over Time</i> The indicator is available for 2001. The data will not be updated annually.	B

Source	<p>European Commission (2002): “Hiring Employees: Administrative Burdens on SMEs in Europe”, footnote 23.</p> <p>Available online: http://europa.eu.int/comm/enterprise/enterprise_policy/better_environment/doc/enterprise_policy_scoreboard_2002_en.pdf.</p>
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Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.60 Number of Administrative Procedures when Recruiting Additional Employees

Definition:

The indicator measures all obligatory contacts that employers have to make with administrative offices in the recruitment process.

Procedures relevant to specific groups of enterprises are omitted.

Assessment		Grade
Overall		A
1. Relevance	<i>a) Assessment of Relevance</i> The indicator is a <u>direct</u> measure for the administrative burdens resulting from hiring of additional employees.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy focused indicator. Changing the legislation for hiring additional employees will have <u>direct</u> influence of the size of the indicator.	A
2. Accuracy	<i>a) Data Collection Method</i> <u>Fact</u> -based indicator. The same methodology is used In every country.	A
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> although procedures relevant to specific groups of enterprises are omitted.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for most of the EU countries, but not for the non-EU OECD countries..	B
	<i>b) Availability over Time</i> The indicator is available for 2001. The data will not be updated annually.	B

Source	<p>European Commission (2002): “Hiring Employees: Administrative Burdens on SMEs in Europe”, footnote 23. Available online:</p> <p>http://europa.eu.int/comm/enterprise/enterprise_policy/better_environment/doc/enterprise_policy_scoreboard_2002_en.pdf.</p>
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Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

3.2.61 Cultural and Social Norms

Definition:

The indicator measures entrepreneurial experts' perception of the cultural and social norms related to entrepreneurship.

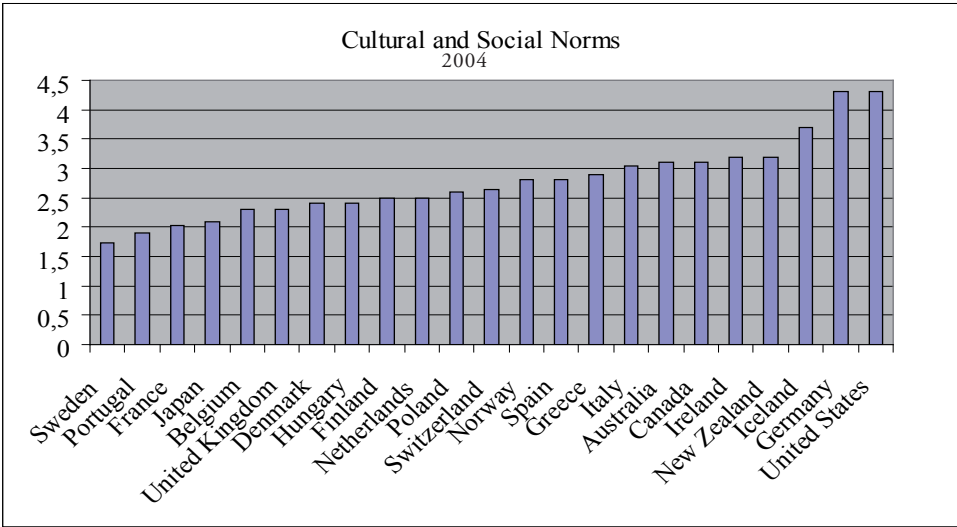
The indicator is based on five questions that the experts are asked to answer. The ranking of the questions go from 1 (strongly disagree) to 5 (strongly agree). The indicator is a simple average of the questions (Exhibit 1).

Exhibit 1

- The national culture is highly supportive of individual success achieved through own personal efforts.
- The national culture emphasizes self-sufficiency, autonomy, and personal initiative.
- The national culture encourages entrepreneurial risk-taking.
- The national culture encourages creativity and innovativeness.
- The national culture emphasizes the responsibility that the individual (rather than the collective) has in managing his or her own life.

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> The cultural and social norms related to entrepreneurship are a <u>direct</u> measure of the degree in which national culture and norms support entrepreneurship and, consequently, the starting up of new business.	A

	<i>b) Assessment of Policy Indicator Typology</i> Political initiatives will have an indirect influence of the national culture and the national norms towards entrepreneurship. Furthermore, the indicator is opinion-based. Policy measures can only have an <u>indirect</u> impact on the opinions of entrepreneurial experts.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>opinion</u> -based. The information is provided by entrepreneurial experts' answers to a list of questions in an expert survey, which is part of the GEM/GERA project.	C
	<i>b) Cross-country Comparability</i> Fully comparable. The same question was asked in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for the OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for 1997-2004. Some divergence exists in the exact stating of the questions through the years. The indicator may be updated in the future.	A
Source	The indicator is published by GEM/GERA in specific reports. Not available on the net. http://www.gemconsortium.org .	



3.2.62 Entrepreneurial Motivation

Definition:

The indicator measures entrepreneurial experts’ perception of entrepreneurial motivation.

The indicator is based on four questions that the experts are asked to answer. The ranking of the questions go from 1 (strongly disagree) to 5 (strongly agree). The indicator is a simple average of the questions (Exhibit 1).

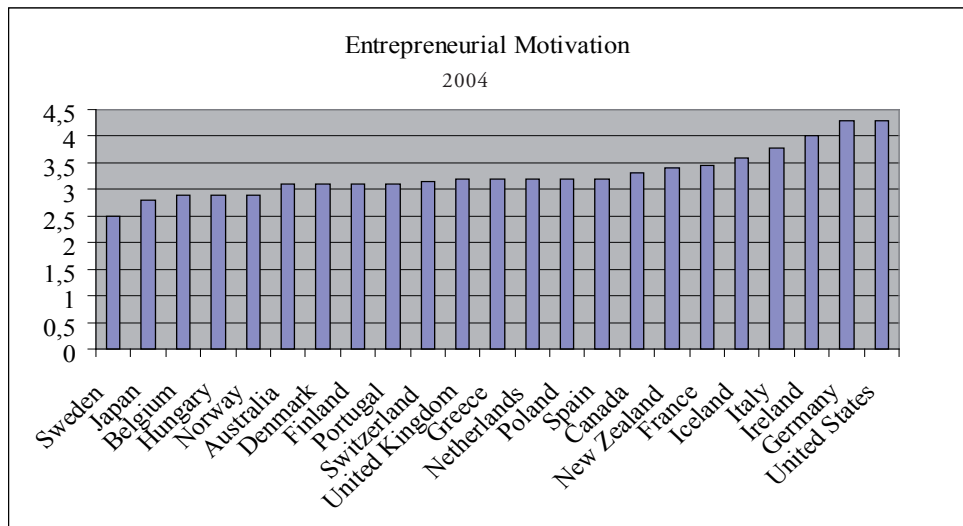
Exhibit 1

Experts were asked if:

- the creation of new ventures is considered an appropriate way to become rich.
- people consider becoming an entrepreneur as a desirable career choice.
- successful entrepreneurs have a high level of status and respect.
- is a lawful citizen who belongs to the same race and religion as the majority of the country’s population;
- you will often see stories in the public media about successful entrepreneurs, etc.

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> The indicator is a <u>direct</u> measure of the degree in which the national culture and norms supports entrepreneurship and consequently the starting up of new business.	A
	<i>b) Assesment of Policy Indicator Typology</i> Political initiatives will have an indirect influence of the national motivation to become entrepreneur. Furthermore, the indicator is opinion-based. Policy measures can only have an <u>indirect</u> impact on the opinions of entrepreneurial experts.	B

2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>opinion</u> -based. The information is provided by entrepreneurial experts' answers to a list of questions in an expert survey, which is part of the GEM/GERA project.	C
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same question was asked in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for the OECD countries.	A
	<i>b) Availability over Time</i> The indicator is available for 1997-2004. Some divergence exists in the exact stating of the questions through the years. The indicator may be updated in the future.	A
Source	The indicator is published by GEM/GERA in specific reports. Not available on the net. http://www.gemconsortium.org .	



3.2.63 Self-employment Preferences

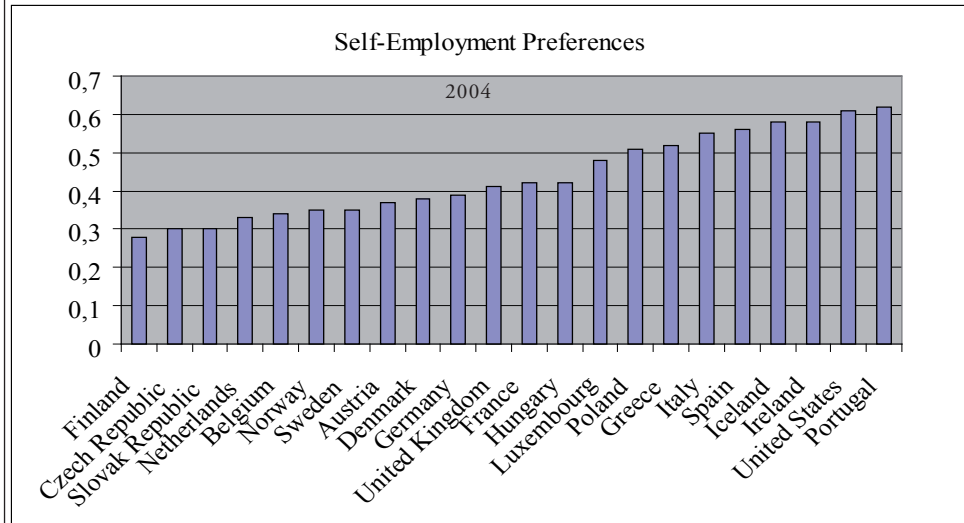
Definition:

The indicator measures individual's preferences towards being self-employed or being an employee.

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assesment of Relevance</i> The cultural and social norms for entrepreneurship is a <u>direct</u> measure of the degree in which the national culture and norms supports entrepreneurship and consequently the starting up of new business.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy measures may have an <u>indirect</u> impact on the national preference to become entrepreneur. Furthermore, the indicator is opinion-based.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>opinion</u> -based.	C
	<i>b) Cross-country Comparability</i> Fully comparable. The same question was asked in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for 25 countries of the EU and for the USA, Norway, Iceland and Lichtenstein.	B
	<i>b) Availability over Time</i> The indicator is available for 2004 and will be updated annually	A

Source

The data is published by European Commission “Flash Euro Barometer: Entrepreneurship“, June 2004, page 7. Available online : http://europa.eu.int/comm/public_opinion/flash/fl160_en.pdf.



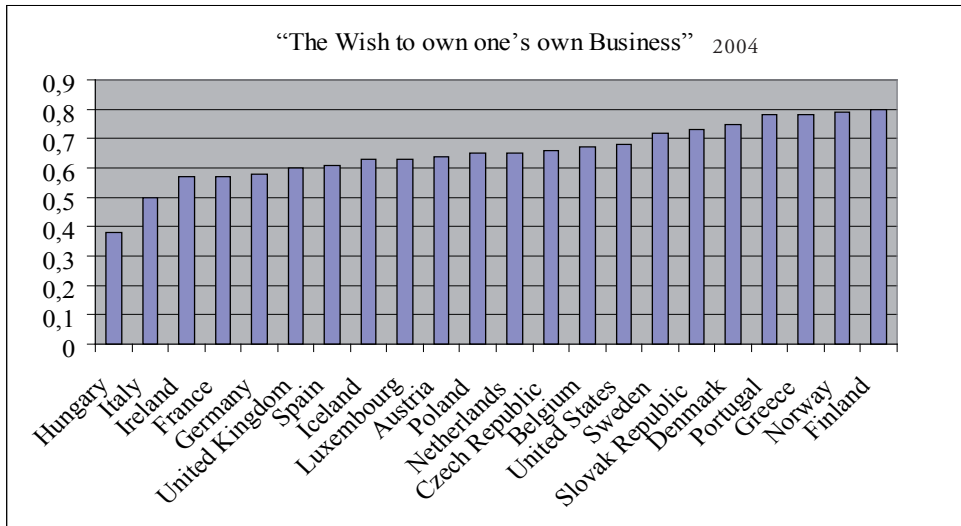
3.2.64 "The Wish to own one's own Business"

Definition:

The indicator measures people's preferences to own their own business. Respondents who expressed a preference for self-employment were also asked whether they would prefer to own their own business or work for themselves, without necessarily owning a company.

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assessment of Relevance</i> The cultural and social norms for entrepreneurship are a <u>direct</u> measure of the degree in which the national culture and norms support entrepreneurship and consequently the starting up of new business.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy measures may have an <u>indirect</u> impact on the national preference to become entrepreneur. Furthermore, the indicator is opinion-based.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>opinion</u> -based.	C
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same question was asked in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for the 25 countries of the EU and for the USA, Norway, Iceland and Lichtenstein.	B
	<i>b) Availability over Time</i> The indicator is available for 2004 and will be updated annually.	A

Source	The data is published by European Commission “Flash Euro Barometer: Entrepreneurship“ June 2004, page 19. Available online : http://europa.eu.int/comm/public_opinion/flash/fl160_en.pdf .
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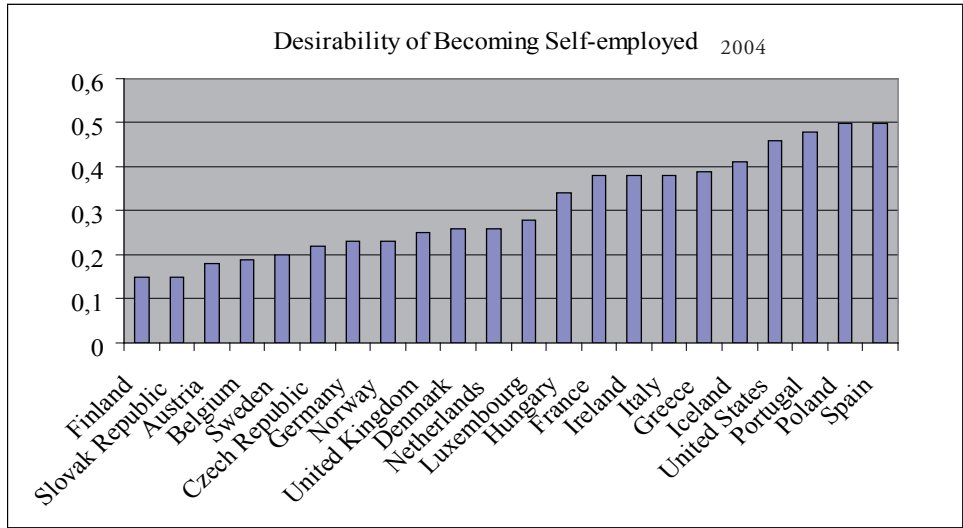


3.2.65 Desirability of Becoming Self-employed

Definition:

The indicator measures people's desire to become self-employed within the next 5 years. This question was asked only to non-self-employed individuals.

Assessment		Grade
Overall		C
1. Relevance	<i>a) Assessment of Relevance</i> The cultural and social norms for entrepreneurship is a <u>direct</u> measure of the degree in which the national culture and norms supports entrepreneurship and consequently the starting up of new business.	A
	<i>b) Assessment of Policy Indicator Typology</i> Policy measures may have an <u>indirect</u> impact on the national preference to become entrepreneur.	B
2. Accuracy	<i>a) Data Collection Method</i> The indicator is <u>opinion</u> -based.	C
	<i>b) Cross-country Comparability</i> <u>Fully comparable</u> . The same question was asked in every country.	A
3. Availability	<i>a) Availability across Countries</i> The indicator is available for the 25 countries of the EU and for the USA, Norway, Iceland and Lichtenstein.	B
	<i>b) Availability over Time</i> The indicator is available for 2004 and will be updated annually.	A
Source	The data is published by European Commission "Flash Euro Barometer: Entrepreneurship", June 2004, page 22. Available online : http://europa.eu.int/comm/public_opinion/flash/fl160_en.pdf .	



3.2.66 Risk for Business Failure

Definition:

The indicator measures people’s perception of being willing to start a business if a risk exists that it might fail.

Assessment	Grade
Overall	C
1. Relevance	<p><i>a) Assessment of Relevance</i> The cultural and social norms for entrepreneurship is a <u>direct</u> measure of the degree in which the national culture and norms supports entrepreneurship and consequently the starting up of new business.</p> <p><i>b) Assessment of Policy Indicator Typology</i> Policy measures may have an <u>indirect</u> impact on the national preference to become entrepreneur.</p>
2. Accuracy	<p><i>a) Data Collection Method</i> The indicator is opinion-based.</p> <p><i>b) Cross-country Comparability</i> Fully comparable. The same question was asked in every country.</p>
3. Availability	<p><i>a) Availability across Countries</i> The indicator is available for the 25 countries of the EU and for the USA, Norway, Iceland and Lichtenstein.</p> <p><i>b) Availability over Time</i> The indicator is available for 2004 and will be updated annually.</p>
Source	The data is published by European Commission “Flash Euro Barometer: Entrepreneurship“, June 2004, page 52. Available online : http://europa.eu.int/comm/public_opinion/flash/fl160_en.pdf .



Note: Lower values are assumed to be more conducive for entrepreneurship performance than higher values for this indicator

