

# The Global Venture Capital and Private Equity Country Attractiveness Index

2011 annual

*Alexander Groh, Heinrich Liechtenstein and Karsten Lieser*

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# Contents

Foreword from the research team .....	7
Sponsors .....	8
About the editors .....	9
Research team .....	9
<b>I. The Global VCPE Country Attractiveness Index .....</b>	<b>10</b>
How to measure a country's attractiveness for limited partners .....	12
Building the 2011 index .....	16
The VCPE country attractiveness ranking .....	20
Comparisons of countries .....	24
Emerging countries, and exceptional opportunities in BRIC? .....	28
Tracking power of our index .....	30
Our index and historic VCPE returns .....	32
Summary and outlook .....	34
<b>II. How are fund size and fund performance related? .....</b>	<b>36</b>
Giants at the gate: diseconomies of scale in private equity investment returns .....	38
Fund size, limited attention and valuation of VC backed firms .....	40
<b>III. An insight into different VC and PE markets .....</b>	<b>42</b>
Is the Eurozone still an attractive location for VC and PE investors? .....	44
Investing in Africa – challenges and opportunities .....	50
<b>IV. Regional and country profiles .....</b>	<b>54</b>
How to read the country and regional profiles .....	56
<b>V. Appendices .....</b>	<b>234</b>
Computation of the index .....	236
Statistical validation of the index .....	238
Table with sources and explanations of the data series .....	240
References .....	248



# Foreword

## *from the research team*

We are pleased to present the second edition of our Global Venture Capital and Private Equity Country Attractiveness Index. The index seeks to measure the attractiveness of countries for investors in venture capital (VC) and private equity (PE) limited partnerships.

There are two notable changes with respect to the first index edition. First, we have increased our coverage to 80 countries and include many more emerging economies. Second, we have optimized the index structure and excellently track real VC and PE market activity. This optimization also allows a better interpretation of the VC and PE driving forces. However, we do not only present evidence for a high explanatory power of our index with respect to investment activity. We also analyze how aggregate country performance matches our index ranking. This way, we demonstrate the quality of our composite measure and its value to investors.

We invite your feedback to help us improve future index editions. In the future, selected data series may be substituted by newer or more appropriate data. Additional data could be added, while other series with poor explanatory power can be deleted. The quality of data and the number of countries covered will increase in future indices and as a result, our index remains a dynamic research product that always considers the most relevant and recent data. We believe this index is unique in providing information on the VC and PE capital market segment with such a broad scope. We trust investors appreciate the information generated to aid their decision-making; politicians may utilize the index to benchmark their countries and to make improvements to attract international risk capital.

We would not have been able to realize this project without contributions from our sponsors, and we greatly appreciate the support of Ernst & Young and IESE Business School, with their International Center for Financial Research (CIIF).

Beside our own analyses, we invited other academic researchers to contribute to this annual. Therefore, you will find two guest articles discussing the link between the size of VC and PE firms and their success. We hope that you find our our 2011 VCPE Country Attractiveness Index of value.

### Website

Please visit our website <http://blog.iese.edu/vcpeindex> where you will find more information, links to literature, and several analytical tools for country benchmarking purposes.

# Sponsors

We are grateful to our sponsors Ernst & Young and IESE Business School/CIIF for their support, feedback and their direct and professional contributions to the index.



**IESE CIIF, International Center for Financial Research** is an interdisciplinary center with an international outlook and a focus on teaching and finance research. It was created at the beginning of 1992 to channel the financial research interests held by a multidisciplinary group of professors at IESE Business School – University of Navarra.

CIIF's main objectives are:

- To find answers to the questions which confront both the owners and managers of finance companies, and the finance directors of all kinds of company within the performance of their duties
- To develop new tools for financial management
- To study in depth the changes that occur in the market, and their effects on the financial dimension of business activity

**IESE Business School – University of Navarra** is one of the world's top 10 business schools and has pioneered executive education in Europe since its establishment in Barcelona in 1958. With a truly global outlook, IESE currently runs executive-education programs in four continents. IESE is distinguished for its general-management approach, its extensive use of the case method, its international outreach, and its emphasis on placing people at the heart of managerial decision-making.



**Ernst & Young** is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 141,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Potential is a key word for equity capital management. Deal success doesn't end when the deal closes. Acquirers know success and stakeholder value lie in portfolio companies' continued growth under their watch and after their exits.

Our private equity and venture capital practices therefore offer a holistic, tailored approach that encompasses the needs of funds, their M&A process and portfolio companies while addressing market, industry and regulatory concerns and opportunities. We hope that the Global VC/PE Country Attractiveness Index proves to be a valuable tool in helping funds navigate through this uncertain time. For more information please visit [www.ey.com](http://www.ey.com)

# About the editors

## Prof. Alexander Groh

Dr. Alexander Groh is Associate Professor of Finance at EMLYON Business School, France. He held visiting positions at The University of New South Wales, Sydney, Australia, IESE Business School, Barcelona, Spain, and INSEAD, Fontainebleau, France. His research activities focus on VC and PE, and include valuation issues, performance measurement and socio-economic determinants for the development of vibrant VC and PE markets. His papers have been published in the Journal of Banking and Finance, the Journal of Corporate Finance, the Journal of International Money and Finance, the Quarterly Journal of Finance

and Accounting, the Journal of European Financial Management, the Journal of Alternative Investments, and in Venture Capital. He is involved in training courses for the European Venture Capital and Private Equity Association (EVCA), and has worked for Quadriga Capital, a Frankfurt based Private Equity fund, since 1996.

Dr. Alexander Groh was born in Frankfurt, Germany. He received a joint Master's Degree of Mechanical Engineering and Business Administration from Darmstadt University of Technology, where he also gained his Doctoral Degree in Finance.

## Prof. Heinrich Liechtenstein

Dr. Heinrich Liechtenstein is Assistant Professor of Financial Management at IESE Business School, Barcelona – University of Navarra, Spain. His areas of interest are entrepreneurial finance, VC and PE, wealth management and owners' strategies. He is active in several supervisory and advisory boards of family holdings and foundations, as well as a private equity firm.

Dr. Liechtenstein has experience in wealth management and owners' strate-

gies at Liechtenstein Global Trust, a family holding, and as a consultant at The Boston Consulting Group. He has previously founded and sold two companies.

Dr. Liechtenstein was born in Leoben, Austria, and received an MA in Business Administration from the University of Graz, an MBA from IESE Business School, and a Doctoral Degree of Business and Economic Sciences from the University of Vienna.

## Karsten Lieser

Karsten Lieser is a Project Manager at the IESE International Center for Financial Research (IESE CIIF) in Barcelona. He currently manages the Global VCPE Country Attractiveness Index project and works on strategy and research assignments in the Alternative Investment sector for various consultancy firms. The focus of his research is the investigation of determinants of Venture Capital, Private Equity, and Real Estate investments and the development of tools to guide investors on their geographic asset allocation decisions. Prior to joining IESE CIIF, he worked

in the asset and fund management departments of REInvest, SCM Strategic Capital Management, and AXA – Real Estate.

Currently, Mr. Lieser is enrolled in a Ph.D. program in Finance at Darmstadt University of Technology, Germany with a full-time research position at IESE Business School Barcelona, Spain. He graduated as Master in Business Administration and Civil Engineering from Darmstadt University of Technology, Germany and also studied at EPFL and HEC Lausanne, Switzerland, and IESE Business School Barcelona, Spain.

## Research team

**Alexander Groh**  
Associate Professor,  
EMLYON Business School,  
[groh@em-lyon.com](mailto:groh@em-lyon.com)

**Heinrich Liechtenstein**  
Assistant Professor,  
IESE Business School Barcelona,  
[hl@iese.edu](mailto:hl@iese.edu)

**Karsten Lieser**  
Project Manager,  
IESE Business School Barcelona,  
[klieser@iese.edu](mailto:klieser@iese.edu)

**Thomas Lang**  
Research Assistant,  
IESE Business School Barcelona

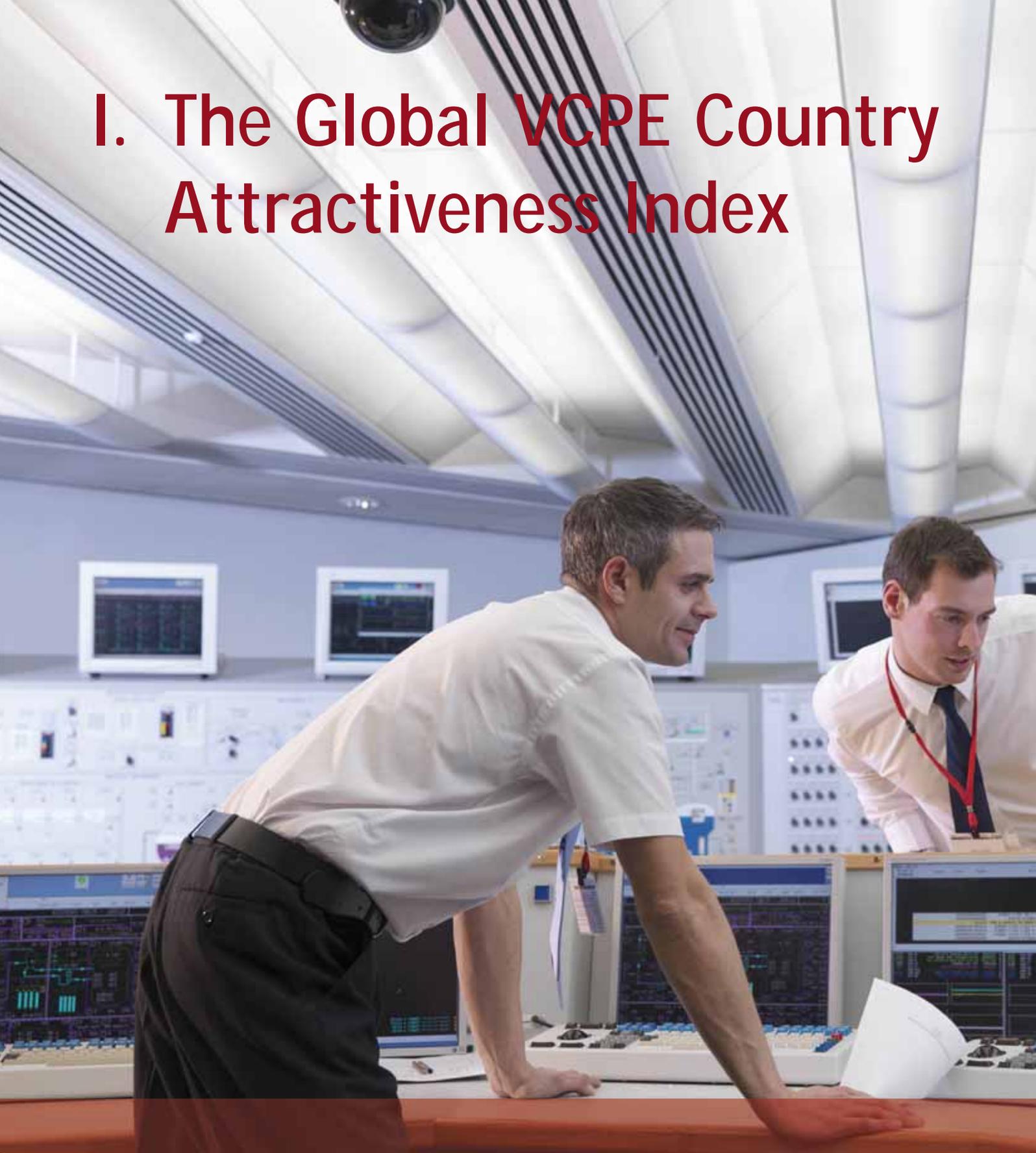
**Markus Biesinger**  
Research Assistant,  
IESE Business School Barcelona

**Moritz Huisman**  
Research Assistant,  
IESE Business School Barcelona

**Florian Braun**  
Research Assistant,  
IESE Business School Barcelona

**Sarp Vardarizi**  
Research Assistant,  
IESE Business School Barcelona

# I. The Global VCPE Country Attractiveness Index



Written by Alexander Groh, EMLYON Business School, [groh@em-lyon.com](mailto:groh@em-lyon.com),  
Heinrich Liechtenstein, [hl@iese.edu](mailto:hl@iese.edu), and Karsten Lieser, [kliester@iese.edu](mailto:kliester@iese.edu), IESE Business School Barcelona.

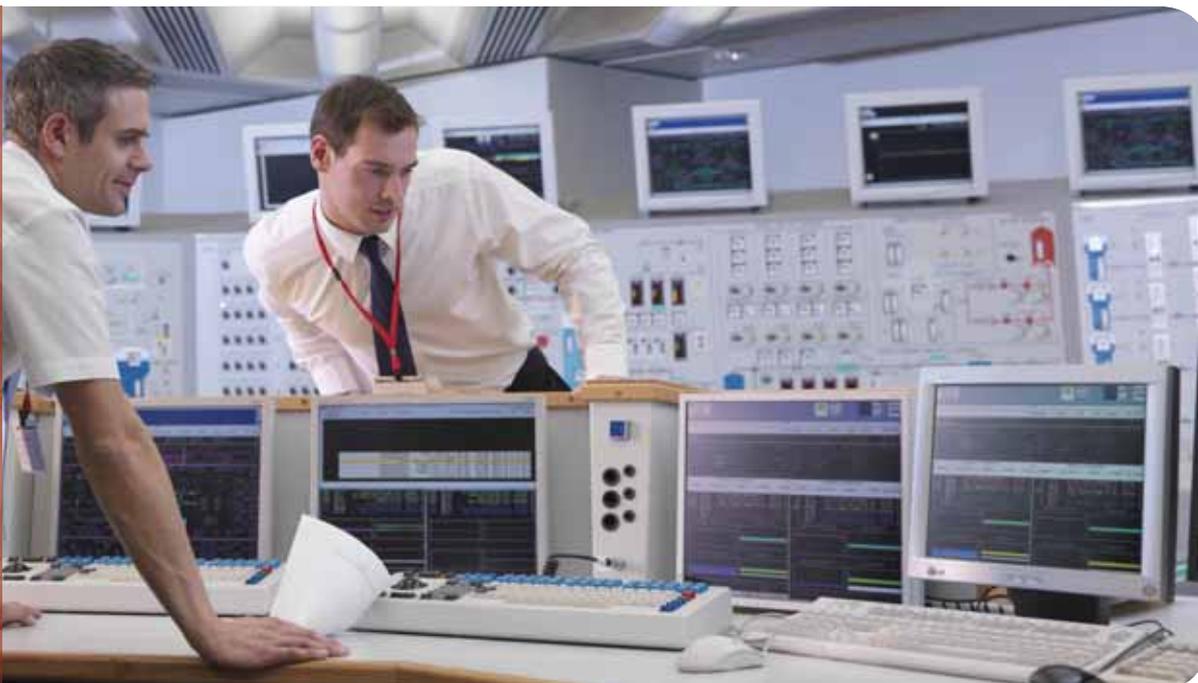


## How to measure a country's attractiveness for limited partners

If institutional investors are unfamiliar with the socio-economic environment of countries they cannot make rational international allocation decisions. They try to overcome potential information deficits and gather data and analyze the determinants they deem important before investing in a particular country. However, this process is time consuming and costly. Additionally, due to the current pace of economic development of many emerging countries, selecting those that support VC and PE activity becomes more and more cumbersome. Our index guides institutional investors solving the problem where to allocate capital. We aggregate and provide the most important information they require for their international VC and PE allocation decisions. However, this information cannot substitute investors' own efforts to build up country knowledge and experience. It can only facilitate this process.

We propose a composite measure that benchmarks the attractiveness of 80 countries to receive VC and PE allocations from limited partners. Our intention is to serve the investment community,

preparing and analyzing a large quantity of socio-economic data. However, not only the financial community can benefit from our research, also politicians may conclude that vibrant risk capital markets increase innovation, entrepreneurial activity, economic growth, employment, competitiveness and wealth and hence, might be interested in increasing the supply of risk capital for their countries. Currently, there is a major shift of focus from "traditional" VC and PE countries towards emerging regions. Emerging countries attract investors by exceptional growth opportunities that require substantial funding. This shift is also supported by the aftermath of the financial crisis that strongly affected the established VC and PE markets. It is sometimes argued that exceptional growth in emerging markets fuels future VC and PE activity, and that the whole business model needs to be redesigned. However, as we discuss in this index, growth opportunities are not the only factor that renders countries attractive for VC and PE investors, and it is these broader conditions that motivate our index.



## What are institutional investors' international VC and PE allocation criteria?

Our index addresses institutional investors' concerns and evaluates countries with respect to their criteria for international VC and PE allocations. These criteria include, in the first instance, the expected deal opportunities in a country or region from a macro perspective. Of course, they also include particular investment strategies of fund management teams, the general partners' competences, their track records and other parameters.<sup>1</sup> The limited partners evaluate these determinants in their due diligence process before committing to a particular general partner. However, these criteria are beyond the scope of our index because they depend on individual cases and undisclosed data.

Another concern investors communicated to us is the level of valuations in various countries. But, unfortunately, a comparison of international transaction multiples is impossible for us for two reasons. First, little information exists on transaction multiples. Second, multiples reflect the relationship between growth expectations and opportunity cost of capital. It is not feasible for us to estimate these parameters for all our sample countries and to find a correct benchmarking approach. Our index follows a practical approach and points to the opportunities that should arise from the current socio-economic environment in a country, and as a result, contribute to the macro perspective of the capital allocation process.

Our index provides valuable information to investors as it summarizes all the important socio-economic factors into

one single composite measure. The decisive factors that render a country attractive and the determinants of vibrant VC and PE markets have been extensively studied. In our index we give a brief overview over the findings of these studies and group the articles into six sub-chapters. These sub-chapters reveal the structure of our index: each heading represents one of six "key drivers" for the attractiveness of a country for limited partners:

1. **Economic activity**
2. **Depth of the capital market**
3. **Taxation**
4. **Investor protection and corporate governance**
5. **Human and social environment**
6. **Entrepreneurial culture and deal opportunities**

These key drivers name and define a subset of criteria we need to assess for all of our sample countries.<sup>2</sup>

### Importance of economic activity

Intuitively, the state of a country's economy affects its VC/PE market activity. An economy's size and employment levels are also proxies for prosperity, the number of its local corporations and entrepreneurial activity, and hence, also for expected VC and PE deal flow. Capitalizing on economic growth requires investments and provides a rationale for institutional investors to enter into certain countries. Gompers and Lerner (1998) argue that more attractive VC and PE investment opportunities exist if an economy is growing quickly. Romain and van Pottelsberghe de la Potterie (2004) find that VC/PE activity is cyclical and significantly related to GDP growth. Wilken

(1979) argues that a situation of economic prosperity and development facilitates entrepreneurship, as it provides a greater accumulation of capital for investments. The ease of start-ups is expected to be related to societal wealth, not solely due to the availability of start-up financing, but also to higher income among potential customers in the domestic market. However, GDP is measured in current market prices that are affected by inflation. Therefore, only real growth rates signal quality deal opportunities arising from the economic development.

### Importance of the depth of the capital market

Black and Gilson (1998) discuss major differences between bank-centered and stock market-centered capital markets. They argue that well-developed stock markets, which allow general partners to exit via IPOs, are crucial for the establishment of vibrant VC/PE markets. In general, bank-centered capital markets show less ability to produce an efficient infrastructure that supports VC/PE deal-making. They affirm that it is not merely the strong stock market that is missing in bank-centered capital markets; it is also the secondary institutions, including the bankers' conservative approach to lending and investing, and the social and financial incentives that reward entrepreneurs less richly (and penalize failure more severely), that compromise entrepreneurial activity. Jeng and Wells (2000) stress that IPO activity is the main force behind cyclical swings because it directly reflects the returns to the VC/PE funds. Kaplan and Schoar (2005) confirm this. Similar to Black and Gilson (1998), Gompers and Lerner (2000) point out that risk capital flourishes in countries with deep and liquid stock markets. Likewise, Schertler (2003) uses either the capitalization of stock markets or the number of listed

1. For more details please refer to Groh, Alexander and Liechtenstein, Heinrich (2011): The First Step of the Capital Flow from Institutions to Entrepreneurs: "The Criteria for Sorting Venture Capital Funds", *European Financial Management Journal*, forthcoming. Related working papers are available at <http://ssrn.com/author=330804>

2. For a comprehensive review please refer to Groh, Alexander, Liechtenstein, Heinrich and Lieser, Karsten (2010): "The European Venture Capital and Private Equity Country Attractiveness Indices", *Journal of Corporate Finance*, Volume 16, Issue 2, April 2010, pp. 205 – 224. Related working papers are available at <http://ssrn.com/author=330804>

companies as a measure for stock market liquidity and finds that it has a significant impact on VC and PE investments.

Alongside the disadvantages of bank-centered capital markets, Greene (1998) emphasizes that low availability of debt financing is an obstacle for start-ups in many countries. Entrepreneurs need to find backers – whether banks or VC/PE funds – who are willing to bear risk. Cetorelli and Gambera (2001) provide evidence that bank concentration promotes the growth of those industrial sectors that have a higher need for external finance by facilitating credit access to younger companies.

### Importance of taxation

Bruce (2000 and 2002), and Cullen and Gordon (2002) prove that tax regimes matter for business entry and exit. Djankov *et al.* (2008) show that direct and indirect taxes affect entrepreneurial activity. Poterba (1989) builds a decision model showing the advantages to becoming an entrepreneur, driven by taxation incentives. Bruce and Gurley (2005) explain that increases in the personal income tax can raise the probability of becoming an entrepreneur: large differences between personal income tax rates and corporate tax rates provide an incentive for self-employment.

### Importance of investor protection and corporate governance

Legal structures and the protection of property rights strongly influence the attractiveness of a national VC/PE market. La Porta *et al.* (1997 and 1998) confirm that the legal environment determines the size and extent of a country's capital market and local companies' ability to receive outside financing. They emphasize the differences between statutory law and the quality of law enforcement in some countries. Roe (2006) discusses and compares the political determinants of corporate governance legislation for the major economies and focuses on the importance of strong minority shareholder protec-

tion to develop a vibrant capital market. Glaeser *et al.* (2001) and Djankov *et al.* (2003 and 2005) suggest that parties in common-law countries have greater ease in enforcing their rights from commercial contracts.

Cumming *et al.* (2006) find that the quality of a country's legal system is more closely related to facilitating VC/PE backed exits than the size of a country's stock market. Cumming *et al.* (2009) extend this finding and show that cross-country differences in legality, including legal origin and accounting standards have a significant impact on the governance of investments in the VC/PE industry. Desai *et al.* (2006) show, that fairness and property rights protection largely determine the growth and emergence of new enterprises. Cumming and Johan (2007) highlight the perceived importance of regulatory harmonization with respect to increasing institutional investor commitments to the asset class. La Porta *et al.* (2002) find a lower cost of capital for companies in countries with better investor protection, and Lerner and Schoar (2005) confirm these findings. Johnson *et al.* (1999) show that weak property rights limit the reinvestment of profits in start-up companies. Finally and more broadly, Knack and Keefer (1995), Mauro (1995), and Svensson (1998) demonstrate that property rights significantly affect investments and economic growth.

### Importance of the human and social environment

Black and Gilson (1998), Lee and Peterson (2000), and Baughn and Neupert (2003) argue that cultures shape both individual orientation and environmental conditions, which may lead to different levels of entrepreneurial activity. Megginson (2004) argues that, in order to foster a growing risk capital industry, the research culture with respect to universities and national laboratories plays an important role.

Rigid labor market policies negatively affect the evolution of a VC/PE market.

Lazear (1990) and Blanchard (1997) discuss how protection of workers can reduce employment and growth. It is especially important for start-up and medium-size corporations to respond quickly to changing market conditions. Black and Gilson (1998) argue that labor market restrictions influence VC/PE activity, though not to the same extent as the stock market.

Djankov *et al.* (2002) investigate the role of several societal burdens for start-ups in different countries. They conclude that the highest barriers and costs are associated with corruption, crime, a larger unofficial economy and bureaucratic delay. It should be noted that this argument is probably of particular importance in some emerging countries with perceived higher levels of corruption.

### Importance of entrepreneurial culture and deal opportunities

The expectation about access to viable investments is probably the most important factor for investors' international risk capital allocations. Especially for the early stage segment, we expect that the number of potential investments is related to the research output in an economy. Gompers and Lerner (1998) show that both industrial and academic research and development (R&D) expenditure significantly correlates with VC activity. Kortum and Lerner (2000) highlight that the growth in VC fundraising in the mid-1990s may have been due to a surge of patents in the late 1980s and 1990s. Schertler (2003) emphasizes that the number of both R&D employees and patents, as an approximation of the human capital endowment, has a positive and highly significant influence on VC activity. Furthermore, Romain and von Pottelsberghe de la Potterie (2004) find that start-up activity interacts with the R&D capital stock, technological opportunities and the number of patents. However, innovations and R&D are not only important for early stage investment activity. Without sufficient R&D activity it will be impossible for esta-

blished businesses to create or maintain market positions with strong products and brands, which, once established, attract private equity investors.

Despite the innovative output of a society, Djankov (2002), and Baughn and Neupert (2003) argue that bureaucracy in the form of excessive rules and procedural requirements, multiple institutions from which approvals are needed and cumbersome documentation requirements, may severely constrain entrepreneurial activity. Lee and Peterson (2000) stress that the time and money required to meet such administrative burdens may discourage new venture creations.

### Summary on the determinants of vibrant VC and PE markets

The research findings discussed above emphasize the difficulty of identifying the most appropriate parameters for our index. There is no consensus about a ranking of the criteria. While some parameters are more comprehensively discussed, and certainly of high relevance, it remains unclear how they interact with others. For example, it is arguable whether the VC/PE activity in a country with a high corporate governance level is affected more by the liquidity of the national stock market or by labor regulations.

While an IPO exit is, in principle, possible at any stock exchange in the world, the labor market frictions in a particular country can hardly be evaded. On the other side, many of the criteria are highly inter-correlated. Black and Gilson (1998) call it a “chicken and egg” problem: it is impossible to detect which factor causes the other. One line of argumentation is that modern, open and educated societies develop a legislation that protects investors and property rights, which favor the output of innovation and the development of a capital market. This leads to economic growth and to demand for VC and PE. However, the causality might be reverse: economic growth spurs innovation and the development of modern educated societies. There is a third suggestion:

only competitive legal environments allow the development of the societal requirements that support innovations, economic growth, the capital market, and VC and PE activity. There is a fourth alternative, which may be more relevant for emerging economies: low taxes attract investors who provide financing for growth which leads to modern and educated societies.

All lines of argument are reasonable and actually validated by the economic development of various selected countries in different historic periods. Nevertheless, it seems to be the combination of all these factors which need to be improved in parallel to increase VC and PE attractiveness of countries and regions. For this reason, we do not rely on a selection of a few parameters: for a country to receive a high index rank, it needs to achieve a high score on all of the individual criteria. Therefore, we structure the determinants to

achieve a more comprehensive result and to facilitate interpretations.

In a first step, we differentiate the six key drivers from the foregoing review of prior research: economic activity, depth of the capital market, taxation, investor protection and corporate governance, human and social environment, and entrepreneurial culture and deal opportunities. We confirm their choice via a survey among institutional investors, reported in Groh and Liechtenstein (2009) and (2011), and base our index structure upon them. Unfortunately, none of these key drivers is directly measurable, so we seek data series that adequately express their characters. Hence, we try to find the best possible proxies for the aforementioned drivers of VC/PE activity, which must be available for a large number of countries at the same time.



# Building the 2011 index

## Assessing six latent key drivers

An important principle of our index is to assess the latent drivers of VC/PE attractiveness. These are criteria that are not directly observable, but driven by others which can be measured. For example, we assume in a first step that the VC/PE attractiveness of a country is determined by the six key drivers. However, as pointed out, the key drivers themselves are not measurable but need to be estimated with sub-criteria. For example, it would be ideal to express the quality of the deal-making environment in a country by the number of investment banks, M&A boutiques, law firms, accountants and consultants. But, unfortunately, such data does not exist on a global scale. Our only alternative is to gather more general information on the level of debt provided by the banking sector, or estimates about the perceived sophistication of the financial system and the ease of access to loans. We assume that these criteria affect the key driver, depth of the capital market. Even if they are not perfect proxies, we claim that the better these criteria are developed, the more deal-supporting institutions will exist to facilitate VC and PE activity. Hence, we assess a driver with observable data. This principle is maintained at all individual levels for the index construction. An unobservable criterion is assessed with several proxy parameters. In principle, we measure the attractiveness of a country by the six key drivers and use several proxies for their assessment.

### The six key drivers

1. Economic activity
2. Depth of the capital market
3. Taxation
4. Investor protection and corporate governance
5. Human and social environment
6. Entrepreneurial culture and deal opportunities

## How we disaggregate the six key drivers

According to the principal to assess latent key drivers with observable data, we disaggregate each one into sub-categories. These sub-categories are either individual data series or constructs of several determinants that we name "level-2 constructs." For example, as documented in Table 1, we split the key driver "2. Depth of the capital market" into seven sub-categories:

- 2.1. Size of the stock market
- 2.2. Stock market liquidity
- 2.3. IPO market activity
- 2.4. M&A market activity
- 2.5. Debt and credit market
- 2.6. Bank non-performing loans to total gross loans
- 2.7. Financial market sophistication

Data series 2.2 and 2.6 are provided by the Worldbank and data series 2.7 results from a survey initiated by the World Economic Forum (WEF). However, the other indicators are constructs themselves. For instance, we assess "2.3. IPO market activity" by the issued volume and by the number of issues. This approach has two major advantages. First, individual data series do not gain too much weight when they are grouped, and this limits the impact of outliers. Second, the overall results can be traced to more granulated levels and hence, allow better interpretation and confirmation of the findings.

### The weighting scheme

We spent a great deal of time refining the statistical analyses and optimizing the structure of the index. In this new optimized structure, we apply equal weights for all data series, when we aggregate them to the level-2 constructs. We use equal weights for the level-2 constructs to aggregate them on the next higher level of the six key drivers.

Finally, the individual weights for the six key drivers depend on the number of their level-2 constructs. For example, "1. Economic activity" consists of three level-2 constructs, "2. Depth of the capital market" of seven, while "3. Taxation" consists of only one. Overall, we use 22 level-2 constructs for our index, and hence, "1. Economic activity" receives a weight of  $3/22$ , which is 0.136, while the weight of "2. Depth of the capital market" is  $7/22$ , which is 0.318, and for "3. Taxation" it is  $1/22 = 0.046$ , respectively.

The advantage of this weighting scheme is that the key drivers which include more level-2 constructs and hence, data series, gain more weight. That way, once again, we diminish the effect of potential outliers in our data.<sup>3</sup>

The final index structure results from substantial optimization efforts. We find that any statistically "more advanced" techniques do not improve the index quality. The weighting scheme assigns appropriate emphasis according to the explanatory power of the individual key drivers. We will return to this topic in a later section of this index.

### Separate VC and PE indices

To account for differences with respect to the two market segments, VC vs. PE, we propose three related indices. The first one combines both segments (VCPE). The second one focuses on early stage VC and the third index on later stage PE. When calculating the individual VC and PE indices we discard data series that are less important for either market segment.

3. Details about the possible statistical approaches to determine weights for the data series are provided in the academic paper Groh, Alexander, Liechtenstein, Heinrich and Lieser, Karsten (2010): "The European Venture Capital and Private Equity Country Attractiveness Indices," *Journal of Corporate Finance*, Volume 16, Issue 2, April 2010, pp. 205 – 224. Related working papers are available at <http://ssrn.com/author=330804>.

**Table 1: Structure of the VCPE Index, the separate VC, and PE Indices, and the weighting schemes**

	VCPE Index	VC Index	PE Index		VCPE Index	VC Index	PE Index		
<b>1</b>	<b>Economic Activity</b>	<b>0.14</b>	<b>0.16</b>	<b>0.19</b>	<b>5</b>	<b>Human and social environment</b>	<b>0.14</b>	<b>0.16</b>	<b>0.12</b>
1.1	Gross Domestic Product	0.33	0.33	0.33	5.1	Education and human capital	0.33	0.33	
1.1	Size of the economy (GDP)	0.33	0.33	0.33	5.1.1	Quality of the educational system	0.50	0.50	
1.2	Medium-term real GDP growth	0.33	0.33	0.33	5.1.2	Quality of scientific research institutions	0.50	0.50	
1.3	Unemployment	0.33	0.33	0.33	<b>5.2</b>	<b>Labor market rigidities</b>	<b>0.33</b>	<b>0.33</b>	<b>0.50</b>
<b>2</b>	<b>Depth of the capital market</b>	<b>0.32</b>	<b>0.21</b>	<b>0.44</b>	5.2.1	Difficulty of hiring index	0.25	0.25	0.25
2.1	Size of the stock market	0.14	0.25	0.14	5.2.2	Rigidity of hours index	0.25	0.25	0.25
2.1.1	Market capitalization of listed companies	0.50	0.50	0.50	5.2.3	Difficulty of firing index	0.25	0.25	0.25
2.1.2	Number of listed domestic companies	0.50	0.50	0.50	5.2.4	Firing costs	0.25	0.25	0.25
2.2	Stock market liquidity (trading volume)	0.14	0.25	0.14	<b>5.3</b>	<b>Bribery and corruption</b>	<b>0.33</b>	<b>0.33</b>	<b>0.50</b>
2.3	IPO market activity	0.14	0.25	0.14	5.3.1	Bribery and corruption Index	0.33	0.33	0.33
2.3.1	Market volume	0.50	0.50	0.50	5.3.2	Control of corruption	0.33	0.33	0.33
2.3.2	Number of IPOs	0.50	0.50	0.50	5.3.3	Extra payments/bribes	0.33	0.33	0.33
2.4	M&A market activity	0.14	0.25	0.14	<b>6</b>	<b>Entrepreneurial culture and deal opportunities</b>	<b>0.22</b>	<b>0.26</b>	<b>0.06</b>
2.4.1	Market volume	0.50	0.50	0.50	6.1	Innovation	0.20	0.20	
2.4.2	Number of deals	0.50	0.50	0.50	6.1.1	General innovativeness index	0.50	0.50	
2.5	Debt and credit market	0.14		0.14	6.1.2	Capacity for innovation	0.50	0.50	
2.5.1	Domestic credit provided by banking sector	0.25		0.25	<b>6.2</b>	<b>Scientific and technical journal articles</b>	<b>0.20</b>	<b>0.20</b>	
2.5.2	Ease of access to loans	0.25		0.25	<b>6.3</b>	<b>Ease of starting and running a business</b>	<b>0.20</b>	<b>0.20</b>	
2.5.3	Credit information index	0.25		0.25	6.3.1	Number of procedures to start of business	0.20	0.20	
2.5.4	Interest rate spread	0.25		0.25	6.3.2	Time needed to start a business	0.20	0.20	
2.6	Bank non-performing loans to total gross loans	0.14		0.14	6.3.3	Costs of business start-up procedures	0.20	0.20	
2.7	Financial market sophistication	0.14		0.14	6.3.4	Minimum capital requirements	0.20	0.20	
<b>3</b>	<b>Taxation</b>	<b>0.05</b>	<b>0.05</b>		6.3.5	Administrative requirements	0.20	0.20	
3.1	Tax incentives and administrative burdens	1.00	1.00		<b>6.4</b>	<b>Simplicity of closing a business</b>	<b>0.20</b>	<b>0.20</b>	
3.1.1	Entrepreneurship incentive	0.33	0.33		6.4.1	Time for closing a business	0.33	0.33	
3.1.2	Number of tax payments	0.33	0.33		6.4.2	Costs for closing a business	0.33	0.33	
3.1.3	Time spent on tax issues	0.33	0.33		6.4.3	Recovery rate	0.33	0.33	
<b>4</b>	<b>Investor protection and corporate governance</b>	<b>0.14</b>	<b>0.16</b>	<b>0.19</b>	<b>6.5</b>	<b>Corporate R&amp;D</b>	<b>0.20</b>	<b>0.20</b>	<b>1.00</b>
4.1	Corporate governance	0.33	0.33	0.33	6.5.1	Company spending on R&D	0.50	0.50	0.50
4.1.1	Disclosure index	0.20	0.20	0.20	6.5.2	Utility patents	0.50	0.50	0.50
4.1.2	Director liability index	0.20	0.20	0.20					
4.1.3	Shareholder suits index	0.20	0.20	0.20					
4.1.4	Legal rights index	0.20	0.20	0.20					
4.1.5	Efficacy of corporate boards	0.20	0.20	0.20					
4.2	Security of property rights	0.33	0.33	0.33					
4.2.1	Legal enforcement of contracts	0.33	0.33	0.33					
4.2.2	Property rights	0.33	0.33	0.33					
4.2.3	Intellectual property protection	0.33	0.33	0.33					
4.3	Quality of legal enforcement	0.33	0.33	0.33					
4.3.1	Judicial independence	0.20	0.20	0.20					
4.3.2	Impartial courts	0.20	0.20	0.20					
4.3.3	Integrity of the legal system	0.20	0.20	0.20					
4.3.4	Rule of law	0.20	0.20	0.20					
4.3.5	Regulatory quality	0.20	0.20	0.20					

For the VC index, we regard the level-2 construct “2.5. Debt and credit market” as having minor importance and hence, discard it. We further delete “2.6. Bank non-performing loans to total gross loans,” and “2.7. Financial market sophistication” from the VC index.

For the PE index, we discard key driver “3. Taxation,” because the criteria considered are hardly relevant for the later stage segment. Similarly, we drop “5.1. Education and human capital” from the human and social environment key driver and only keep “6.5. Corporate R&D” to assess the deal opportunities related to corporate proprietary research output.

The weights for the individual index items in the separate VC and PE indices are determined in the same way.

Table 1 presents the structures and the weights of the individual data series, as well as constructs for the combined VCPE, and the separate VC and PE indices. We provide more detailed information on the data series in the appendix. There, we also explain the exact data aggregation technique.

### Changes with respect to the prior index version

The proposed data series, the index structure and the applied weights result from comprehensive analyses on the drivers of VC and PE activity. Our goal is to provide a framework for measuring a country's attractiveness with respect to the VC and PE asset classes. Not much prior academic research has elaborated on this issue to such a broad scope. Usually, the country samples of other researchers are not as large as in our index, and our data also tracks many of the countries for a longer time period. Therefore, we benefit from a remarkable data collection allowing us to contribute to academic research on the topic.

We find that several key drivers have a high importance for the state of a country's VC and PE market while others are less important. Depth of the capital market has the highest explanatory power for cross-sectional VC and PE activity. This key driver is followed by entrepreneurial culture and deal opportunities. Next comes economic activity, investor protection and corporate governance on an equal level, followed by human and social environment, then finally by taxation. This decrease in importance is mirrored by the weights we assign to the key drivers. Therefore, the chosen index structure assures a weighting scheme that corresponds with the actual impact of the six key drivers. We did not follow this rigorous approach in the 2009/10 edition of the index, where we kept the weights of the six key drivers balanced.

Following the same rationale to improve the quality of the 2011 index, we discarded several data series we used in the 2009/10 index. Notably, we deleted some data series describing the tax environment from the index. Surprisingly, we detected no correlation between marginal corporate tax rates, profit and capital gains taxes, and VC/PE activity across our sample countries. First, tax rules depend on the will of governments and are somehow arbitrary, hardly correlating with other socio-economic characteristics. Second, we interpret this as the consequence of general partners' efforts to create transparent deal and fund structures, so that national tax regimes do not affect the success of VC/PE investments. The tax regimes are probably more important with respect to the location of limited partners' headquarters instead of the investee firms. For this reason, we only rely on the data series that evaluate entrepreneurial tax incentives and administrative burdens (for the

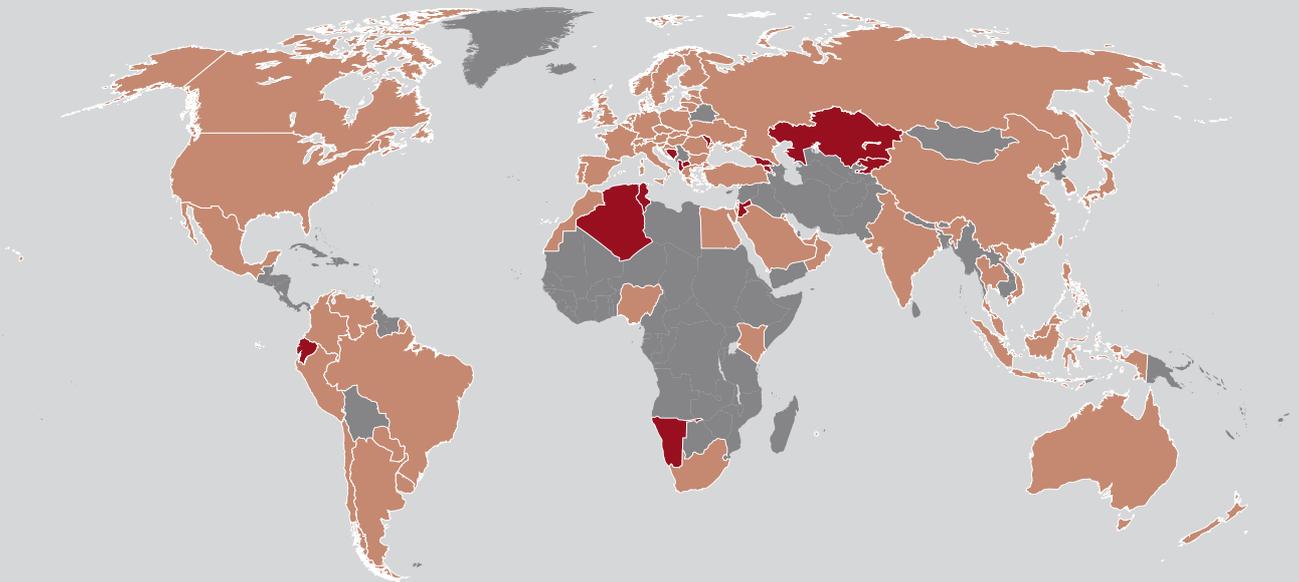
VC and the combined VCPE index) because they are relevant on the level of the target firms. Similarly, we also discard the level-2 construct, measuring internet and computer technology infrastructure, from our 2011 index.

Furthermore, again due to a lack of correlation, we discarded GDP per capita from our list of data series. If we focused on developed countries, individual wealth would be an important indicator for VC and PE activity. However, including emerging economies, this data series is contradictory as it has a strong negative correlation with economic growth. The fastest-growing VC and PE markets still have low GDP per capita ratios, and hence, only one of the two drivers can be valid on a broad cross-sectional scope.

Finally, we discard the inflation rate from our list of data series because using real GDP growth we already control for inflation.

Beside the criteria that we need to exclude for their missing explanatory power with respect to VC and PE activity, we have discarded other data series with a predominantly lower quality in their latest update. A few of the ready-made indices and survey results we included in 2009/10 edition no longer qualified for their inclusion due to perplexing rankings and a doubtful index quality.

As a consequence, we present a much leaner index, based on 54 data series (compared to 66 data series in our 2009/10 edition). The structure of the 2011 index is more comprehensive and its statistical quality has increased.



**Africa (8):** Algeria, Egypt, Kenya, Morocco, Namibia, Nigeria, South Africa, Tunisia

**Asia (16):** Armenia, China, Hong Kong, India, Indonesia, Japan, Kazakhstan, South Korea, Kyrgyzstan, Malaysia, Philippines, Russia, Singapore, Taiwan, Thailand, Vietnam

**Australasia (2):** Australia, New Zealand

**Eastern Europe (18):** Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Slovakia, Slovenia, Turkey, Ukraine

**Latin America (10):** Argentina, Brazil, Chile, Columbia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela

**Middle East (7):** Bahrain, Israel, Jordan, Kuwait, Oman, Saudi Arabia, United Arab Emirates

**North America (2):** USA, Canada

**Western Europe (17):** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom

### The countries covered

We aim to cover as many countries as possible. The selection of the sample countries is purely driven by data availability. We are able to increase our coverage from 66 in the 2009/10 edition to 80 countries for 2011. Unfortunately, the African continent is still under-represented with only eight nations, but we hope to expand the number in future index editions when more data becomes available. We consider the following 80 nations and assign them to eight different geographic regions as they are defined by the International Monetary Fund (IMF). The 14 “new entrants” are highlighted.

## The VCPE country attractiveness ranking

We gathered the individual data series from [Table 1](#) for our sample countries from 2000 onwards to most recent data retrieved by the end of 2010. We calculated the 2011 index scores and realized that the US remains the most attractive for VC and PE allocations, retaining its ranking from the 2009/10 index. However, the distance to its followers has decreased compared to last year. This can be mainly attributed to the (economic) consequences of the financial crisis. We rescale the US score to 100,<sup>4</sup> and its two followers, the United Kingdom and Canada catch up to a level of 93.3%, compared to 85.8% in 2010.

[Exhibit 1](#) presents the ranking of The Global VCPE Country Attractiveness Index 2011. The exhibit is open to debate. Some readers might argue that particular countries are ranked too high, others too low. However, we note that the index ranking is the result of commonly available, transparent, aggregated socio-economic data, which is relevant for investors in VC and PE assets. The results can be traced to the level of the individual data series, and hence, can be confirmed.

Please note, the underlying data is most the recent data available, but does not include future projections. Therefore, we show the current attractiveness ranking and leave it to investors and advisers to enrich the information we prepare with their own knowledge, experience and expectations upon which to draw their conclusions.

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4. We explain the rescaling procedure in more details in the appendix.

Exhibit 1: 2011 VCPE Country Attractiveness Index

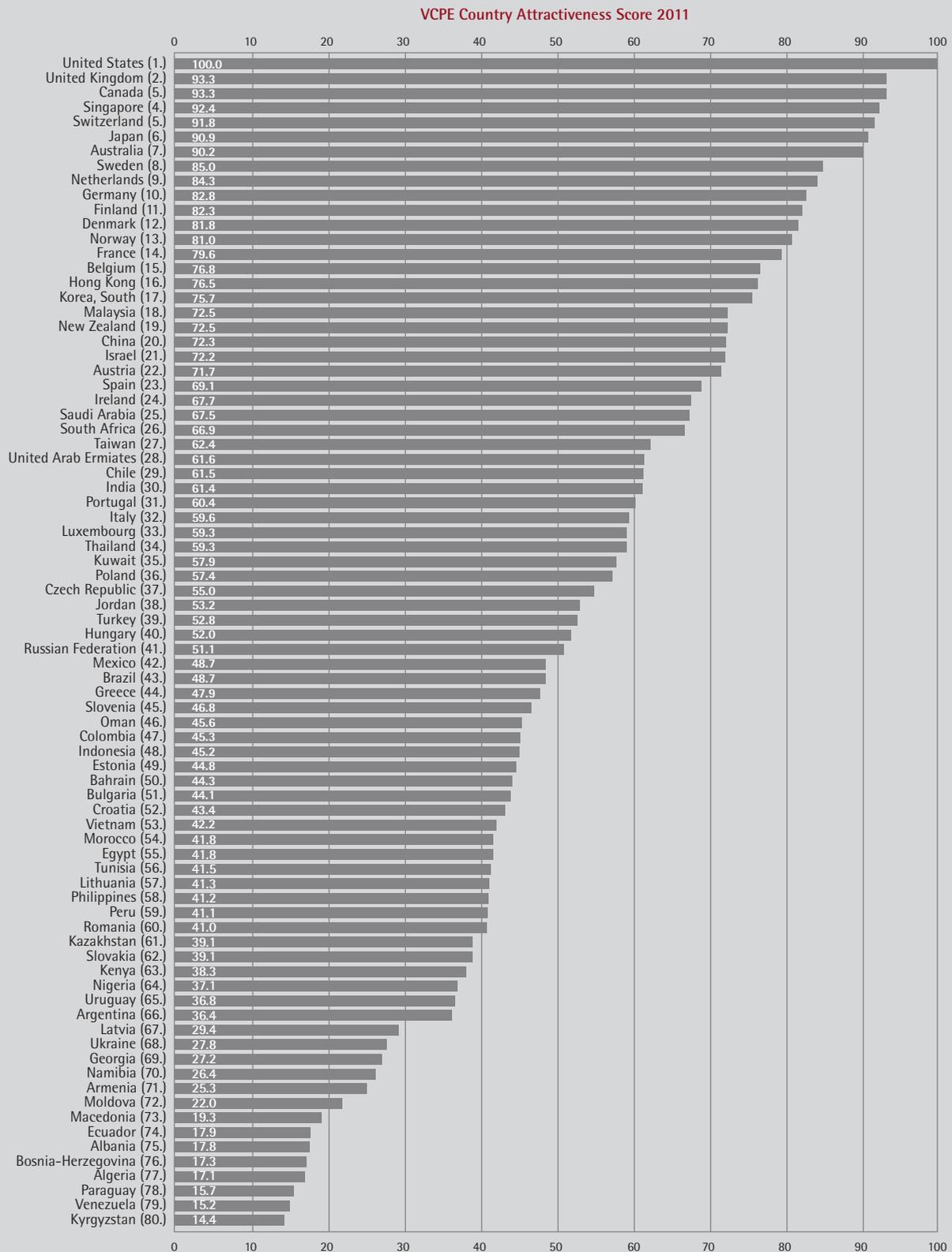
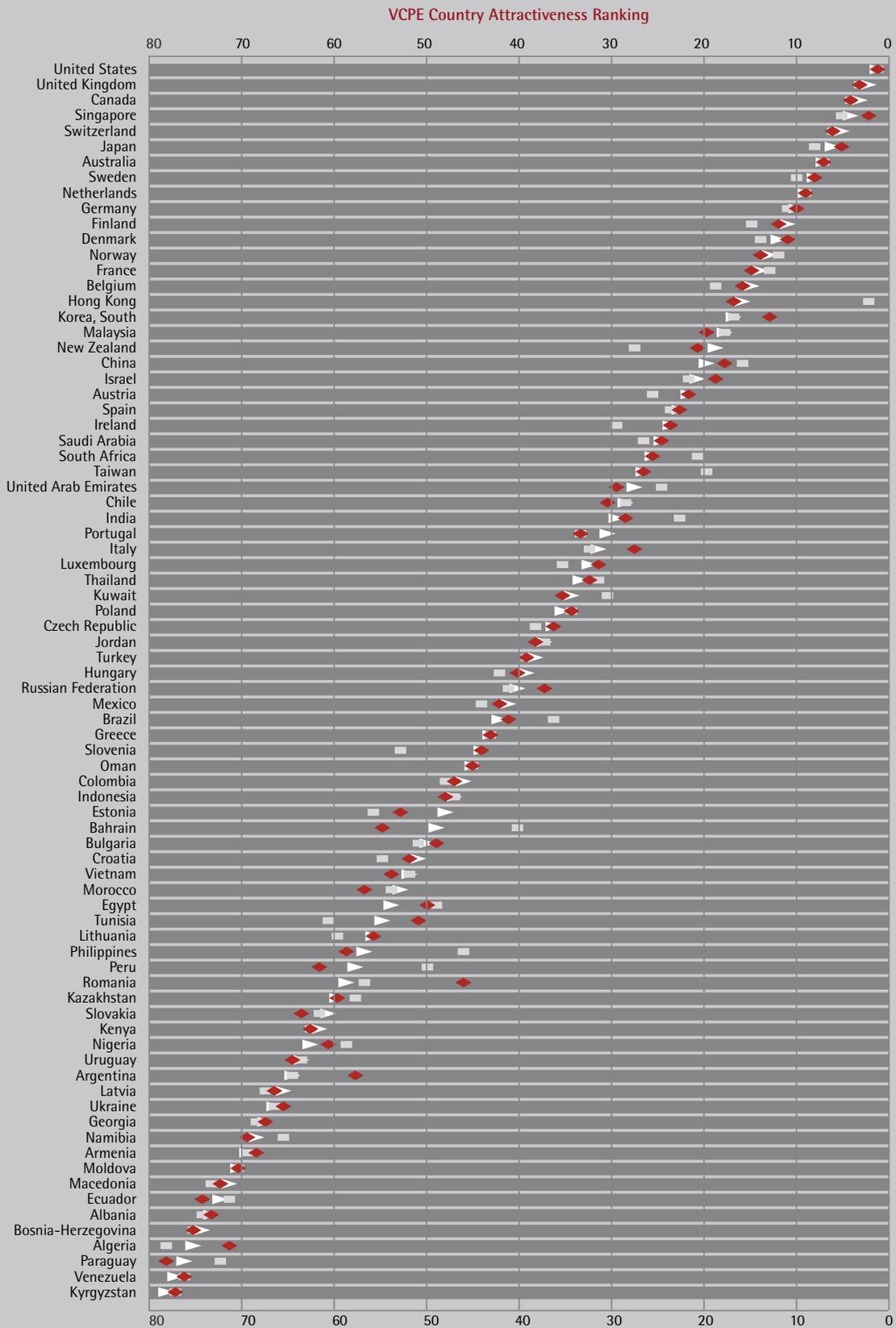


Exhibit 2: rankings according to the three different indices



### Rankings according to the separate VC and PE indices

Exhibit 2 combines the VCPE index with the rankings according to the separate VC and PE indices. The triangles mark the VCPE index ranks. The diamonds designate the VC index and the squares represent the PE index ranks.

The VC index country ranking does not change remarkably compared to the combined VCPE index ranking. It remains stable because we do not alter the index structure to a great extent between the 2009/10 and 2011 editions. However, we receive a much stronger ranking variation if we exclusively focus on the PE segment.

For the PE index, we discard taxation as well as constructs and data series that are related to education, high-tech innovation and starting or running businesses in early stages. This results in Hong Kong, China, South Africa, Taiwan, India, Brazil, Bahrain, the Philippines and Peru in-

creasing its rank by several places. The rationale for these improvements is simple: competitive disadvantages with respect to education and innovation are no longer considered, but the weight of the capital market key driver has increased at the same time. As these countries have (meanwhile) relatively deep capital markets, their attractiveness for later stage investment increases.

In contrast, we find that New Zealand, Ireland, Slovenia, the Baltics and Tunisia lose several ranks focusing on PE attractiveness. This can be mainly attributed to two factors: a strong impact of the recent financial crisis and, resulting from discarding competitive advantages of these countries in the PE index, in particular with respect to taxation.

# Comparisons of countries

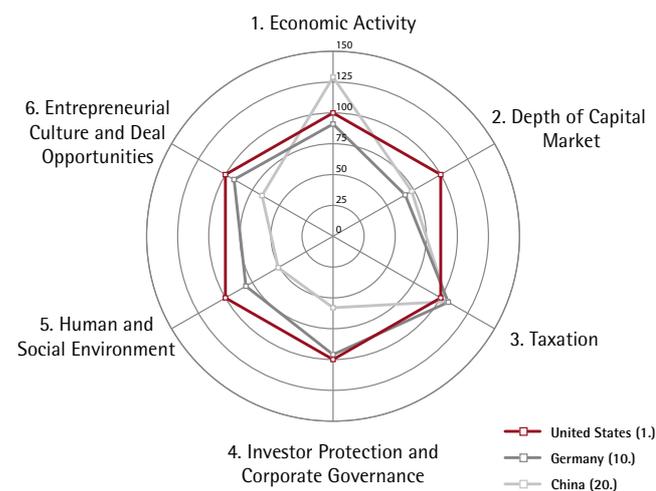
## The general pattern: what renders the US so attractive?

We broke down the index scores to the level of the six key driving forces, and then further down to the level-2 constructs in order to enhance the discussion about the ranking. We found a typical pattern with respect to the attractiveness of countries for VC and PE allocations. We demonstrate this pattern by comparing the first ranked with the 10th and 20th ranked country, namely the US, Germany and China. **Exhibit 3** presents the key driver scores of Germany and China compared to the US (which scores 100 for each key driver by definition).

**Exhibit 3** reveals four important implications. First, the United States (US) generally ranks ahead of other developed economies (e.g., Germany) with respect to most of the six key drivers of VC and PE attractiveness, but especially to its capital market. Second, emerging countries (e.g., China) strongly attracts venture capital and private equity investors by their economic growth. Third, many countries provide tax incentives that support entrepreneurial activity. Fourth, emerging countries score sometimes notably below the developed economies in terms of investor protection and corporate governance, human and social environment, and entrepreneurial culture and deal opportunities. This pattern becomes evident by further analyses which are presented in the appendix of this annual where we benchmark every individual country against the US.

Focusing on the developed countries we find many economically strong nations with vibrant entrepreneurial cultures and deal opportunities, with an excellent human capital and social environment. However, the finally decisive criteria for the lower score compared with the US are the financial markets, and investor protection and corporate governance rules. These findings point to the discussion about the competition of legal systems and the relation between law and finance, as all strong countries score highly for the investor protection and corporate governance key driver. Strong investor protection and corporate governance legislation spurs the development of a national capital market, which is required for the establishment of VC and PE deal supporting institutions.

**Exhibit 3: six key driving forces – comparison of the United States, Germany and China**



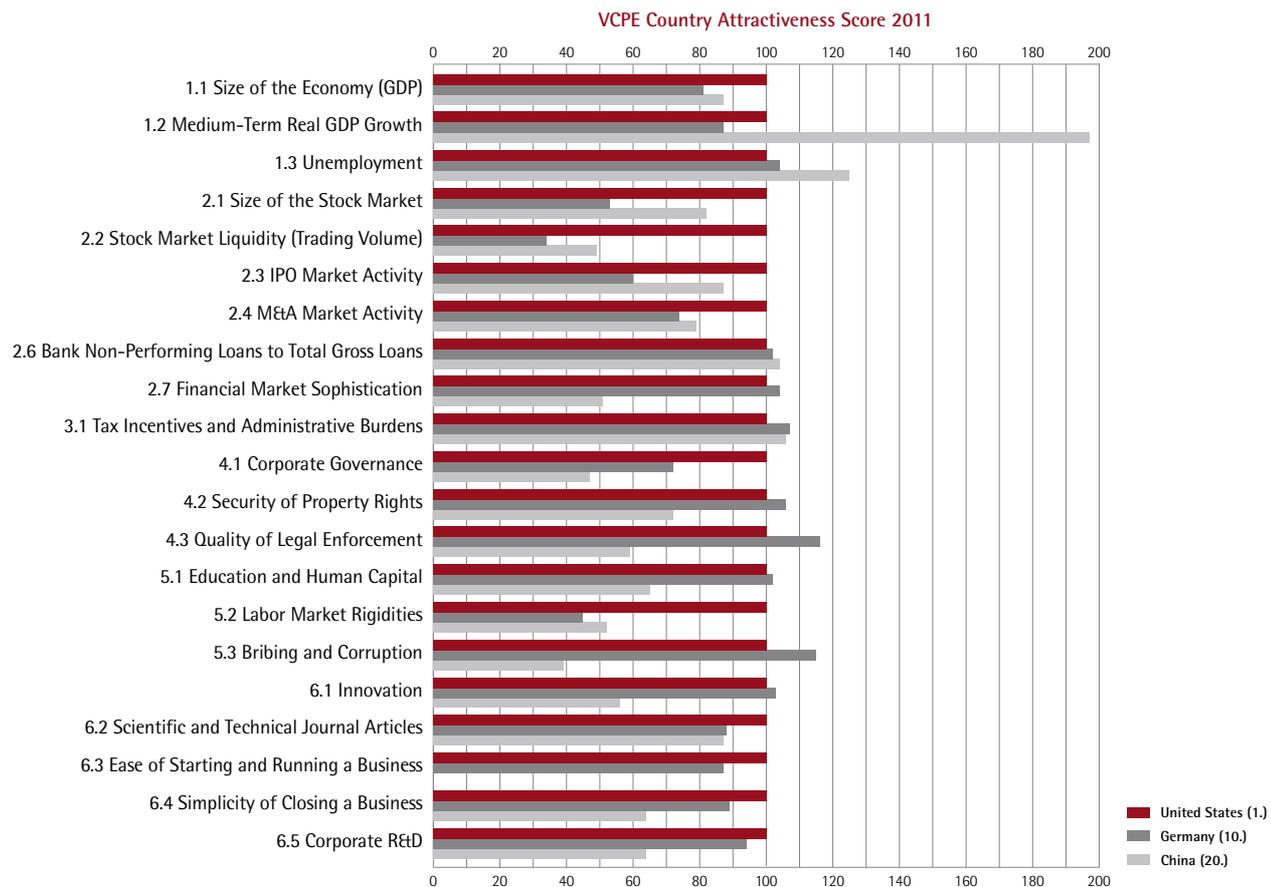
We break-down our analysis on the level-2 constructs and provide more details that support the detected general pattern.

Exhibit 4 points to the distance between the scores of the US, Germany and China with respect to the level-2 constructs that assess the capital market and corporate governance. It also reveals the extraordinary state and growth of the Chinese economy, and its well developed capital market. The difference of the investor protection and corporate governance key dri-

ver scores between the US and Germany results from a higher appreciation of the US' corporate governance rules. On the other side, Germany leads with respect to several other criteria, in particular with an advanced protection of property rights, a higher quality of the legal system, a lower perception of bribery and corruption, and regarding its general innovation capacity. In addition, the exhibit shows that the VC/PE attractiveness of the human and social environment in the US is mainly driven

by its liberal labor market, while perceived bribery and corruption remains an investment obstacle in China. Finally, the excellent score of the US for the entrepreneurial culture and deal opportunities key driver is mainly related to academic research output and to the administrative simplicity and cost of starting, running and closing businesses.

**Exhibit 4: level-2 constructs – comparison of the United States, Germany and China**



### Historic comparison — improvements of VCPE investment conditions and financial crisis impact

In order to demonstrate shifts in VCPE country attractiveness, we compare the ranking for 2011 with 2007. It should be noted that some data series, e.g., the General Innovation Index (GII) do not date back as far. However, we assume that this and similar indicators did not change substantially between 2007 and their first publication, and hence, keep them constant.

The comparison presented in **Exhibit 5** shows the rank changes (positive to the right and negative to the left) of our sample countries between the 2007 and the 2011 index. It provides interesting insights and reveals a strong increase of VC and PE attractiveness for several countries, and the impact of the financial and economic crisis on others. It should be stressed that the index scores are calculated relative to all other countries of the sample. That means those countries that gained or lost ranking positions did not necessarily improve/deteriorate their investment conditions in absolute terms. They might just have outperformed/been outperformed by others in the international competition to attract capital resources.

We find that Brazil, Saudi Arabia, and Indonesia are the “winners.” For an interpretation of this finding, we refer to the detailed country analyses in the appendix of this annual and note that Brazil gains these 14 ranking positions almost exclu-

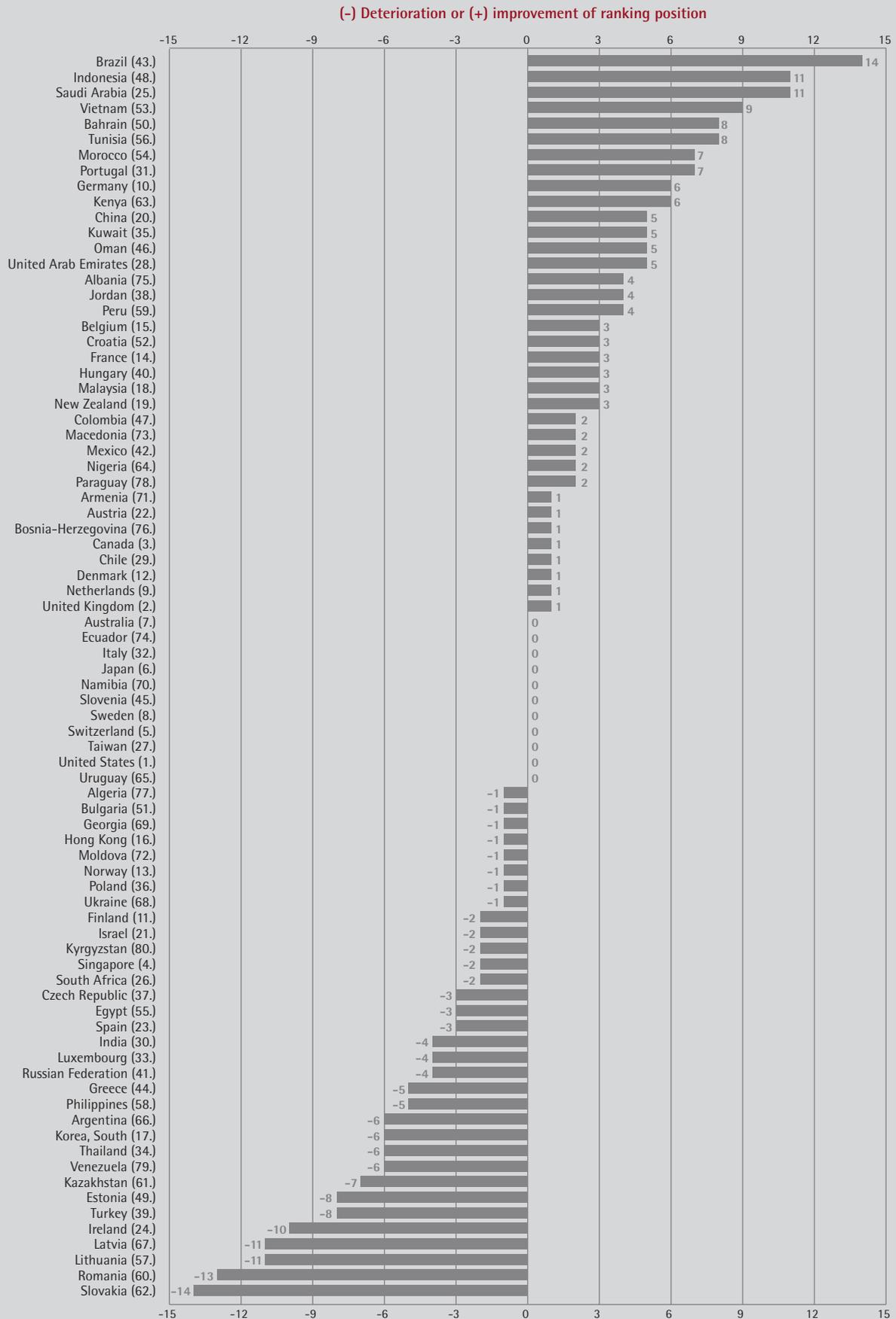
sively due to its tremendous economic growth. Although this is a remarkable increase of VC/PE attractiveness it should be interpreted with some caution as, despite its growth, Brazil is only ranked number 43 in our index. For a further increase of Brazil's attractiveness, other key drivers need to be strengthened. This is equally valid for Indonesia. The country scores particularly low with respect to investor protection and corporate governance (for this key driver, Indonesia only ranks number 75), and the gain of ranking positions is dominantly caused by its economic growth. For Saudi Arabia, the rationale is different. Not only economic growth contributes to its more favorable ranking, Saudi Arabia substantially improved in all other important key drivers.

We continue with the interpretation of **Exhibit 5** and note that the increase of ranking positions of Vietnam is caused by the initiation of capital market activity: stock market trading volume, M&A and banking activity increased from very low levels. This is also similar for Bahrain. **Exhibit 5** further reveals that all the Middle East countries substantially improved their rankings. In addition, the North African countries, Tunisia and Morocco, experienced remarkable economic growth; this is equally valid for the Western European countries, Portugal and Germany. Taking Germany as an example, the importance of the economic activity key driver should be noted. For countries with a general very favorable VC/PE in-

vestment environment, economic growth rates can be responsible for volatile ranks.

At the other end of the exhibit, we find those countries that lost ranking positions in the global competition. The Baltics, Turkey, Ireland, Romania, and Slovakia conclude the list of countries that decreased their ranks. For Turkey, the degradation results from a lack of economic growth and from a deterioration with respect to its human and social environment (relative to the other sample countries). For Ireland, the Baltics, Romania and Slovakia, the downgrade is a direct consequence of the financial/economic crisis. Lacking economic growth is superimposed by frozen debt markets and low capital market activity. This result should alert investors as these countries were highly appreciated target countries for VC and PE investors in the past. However, the once expected economic growth did not materialize on a sufficient scope; respectively, it was not sustainable without improving the general socio-economic environment as measured by the other key drivers. For this reason, a VC/PE bet on growth in a particular country is risky as the country might fail to develop the appropriate investment environment at the same pace.

Exhibit 5: rank changes between 2007 and 2011



# Emerging countries, and exceptional opportunities in BRIC?

Among the emerging economies, investors are paying particular attention to the development of the BRIC (Brazil, Russian Federation, India and China) economies. The expected economic growth and catch-up potential resulting from the size of their population, the availability of natural resources and transition to liberal markets justifies the exposure in BRIC. As already noted, Brazil is the top performing country in terms of its gain of overall ranking positions between the 2007 and 2011 index versions, and China leads the ranking with respect to its exceptional economic growth. The pace of the economic and capital market development, especially in China and India, is indeed astonishing. However, the other key dri-

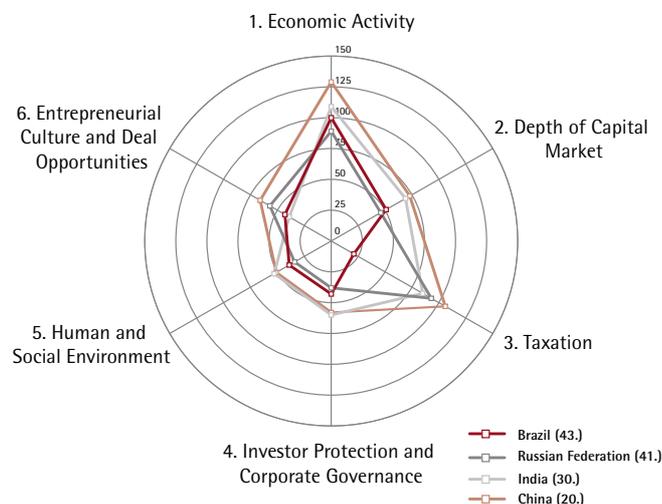
ving forces of VC and PE attractiveness are often neglected. **Exhibit 6** presents the six key drivers for the BRIC countries. As mentioned before, this pattern is very similar for most of the emerging markets.

The exhibit reveals the skewness among the key driving factors of VC and PE attractiveness. All of the BRIC countries are characterized by a peak with respect to their economic activity. Nevertheless the Russian Federation demonstrates only 89% of the economic activity key driver of the US. Despite the deep capital markets in China and India, and the heterogeneous characteristics with regard to taxation, all other key driver scores remain relatively low. This observation is confirmed by the scores of the level-2 constructs.

**Exhibit 7** presents the scores of the level-2 constructs for the BRIC economies. It confirms China's exceptional position regarding its economic size and growth also compared to Brazil, the Russian Federation and India.

However, likewise it reveals some concerns about emerging market VC and PE. Issues with respect to corporate governance and the protection of investors' rights still remain investment obstacles in BRIC. Further, perceived bribery and corruption levels are high, while innovation and corporate R&D remains relatively low. We know from the BRIC and other emerging markets that growth and development is mainly concentrated in particular hubs or certain regions, but not widespread. We also know that the benefit of wealth creation is allocated to rather small fractions of the population only. This presents not only a socio-economic challenge for politicians in many emerging countries, but is also reflected in their attractiveness for VC and PE. If the countries cannot transfer the wealth effects of growth to a broader part of their population it is unlikely to improve the other key driving forces for VC and PE attractiveness. If the pace of economic growth slows down, the countries will deteriorate their VCPE attractiveness ranking. This happened to the Russian Federation, which lost four ranks as presented in **Exhibit 5**, due to lower economic growth. As previously argued, this is similar for the other emerging countries (the Baltics, Turkey, Romania, and Slovakia) ranked at the bottom in **Exhibit 5**.<sup>5</sup>

**Exhibit 6: the six key drivers for BRIC**



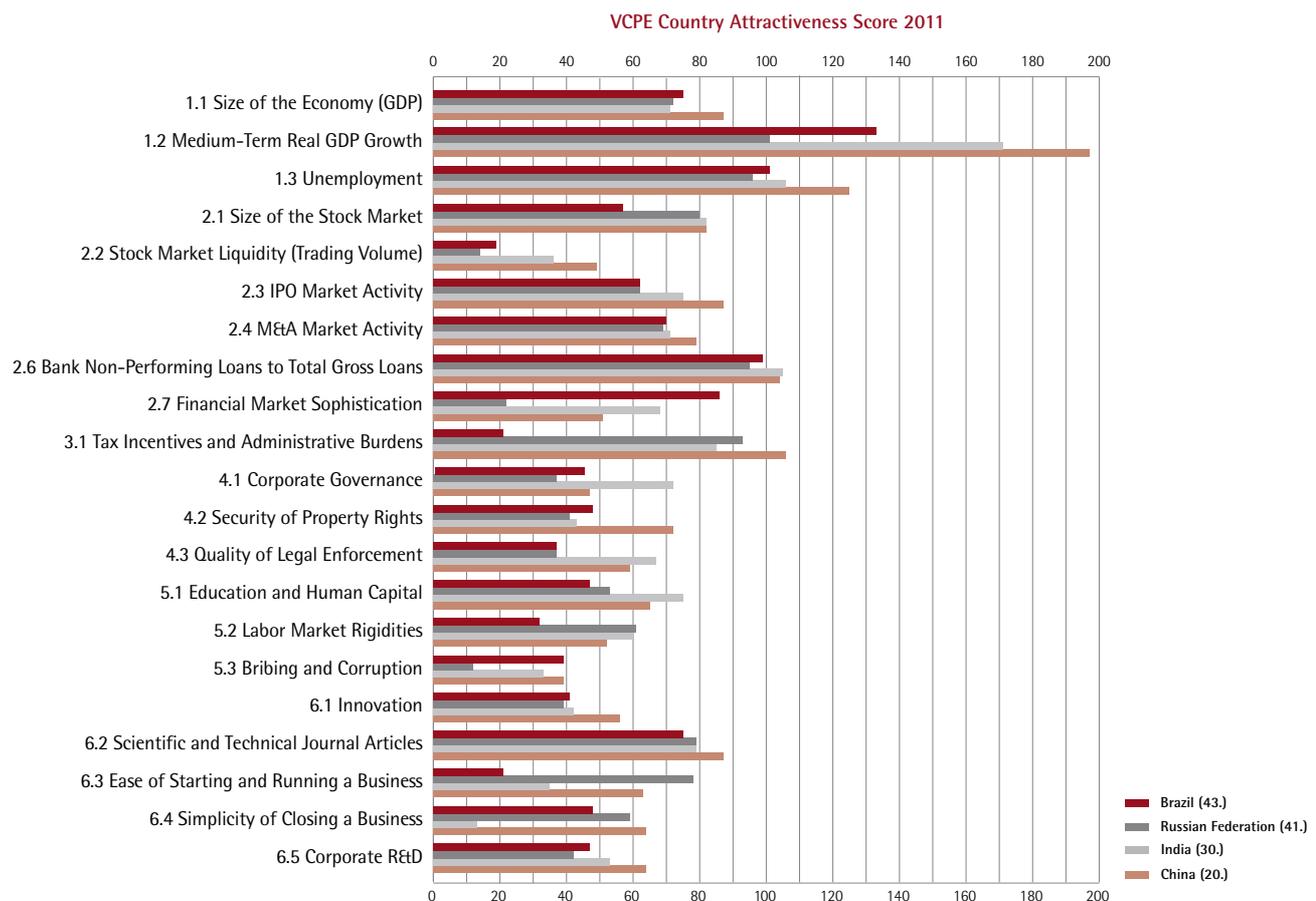
5. We note that India's loss of four ranking positions is caused by a deterioration of perceived investor protection and lower scores in doing business indicators, but definitely not by economic growth.

In summary, BRIC and other emerging markets provide many investment opportunities and have strong needs to finance their expected economic growth. However, expected growth is often already priced and does not allow extra profits. It is also more challenging in emerging countries to get access to transactions because of the immaturity of their deal supporting institutional environment. Hence, deal flow can be cumbersome and costly. Furthermore, we should acknowledge that investing in corporations is only the minor

part of VC/PE business. Adding value and exiting are at least of equal importance. In fast-growth economies, the potential of general partners to add value (other than financing) might be limited. In addition, successfully exiting transactions becomes difficult, even if public capital markets are well developed, when the protection of investors is insufficient, and when bureaucracy and perceived bribery and corruption lower the returns to investors. Limited partners should well consider advantages and disadvantages of emer-

ging and developed VC and PE markets as exceptional growth opportunities come at some cost. Finally, and this is particularly important for emerging markets because of their recent boom, the public stock markets provide investment alternatives to capitalize on expected growth.

### Exhibit 7: level-2 constructs for BRIC



## Tracking power of our index

Our index ranks the attractiveness of countries to receive VC/PE allocations from institutional investors based on many socio-economic data series. The composite measure can deviate from the actual risk capital market activity and these deviations might point to an inaccuracy of our measure. With respect to their allocations, investors are often influenced by herding behavior and follow trends to certain countries and regions. However, the countries might not have sufficiently developed “VC/PE infrastructure” to absorb the committed capital, leading to over-funding. The VC/PE infrastructure is exactly what we aim to assess with our index: can we expect sufficient deal opportunities resulting from the entrepreneurial culture in a country, from its economic soundness, or from innovations? Are potential transactions efficiently supported by the financial community? Are the public stock and M&A markets liquid enough to facilitate divestments? Are investors’ concerns legally taken care of? We do not claim that

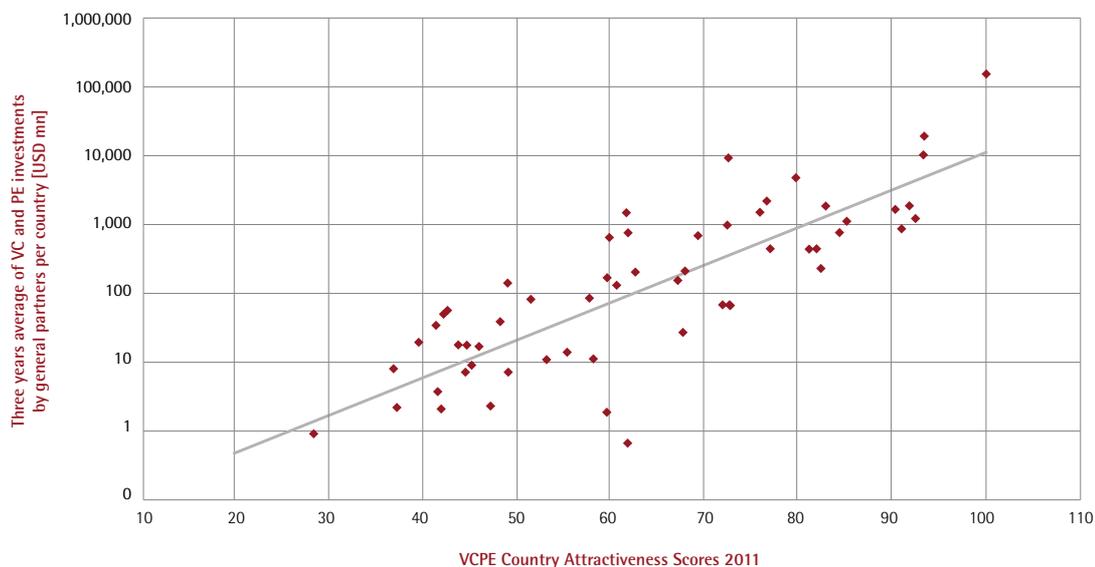
our index always provides the correct answer to these questions. But, we submit that it is very helpful in this respect. Therefore, we expect deviations between our attractiveness measure and actual VC and PE activity in the particular countries to be at a minimum level.

To analyze the tracking power of our index, we compare the index scores with the actual VC and PE activity in the various countries, using the data from Thomson Financial. Our activity measure is the natural logarithm of an average of all VC and PE investments made by the general partners in a certain country over the last three years. We use the natural logarithm to account for the large activity divergence (e.g., activity in the US vs. several emerging countries), and we use an average over three years to smooth fluctuations. Especially for some emerging countries, annual activity fluctuates strongly from peak levels to zero in subsequent years. We chose the criterion “location of the general partners” — and not of the investments — for the following

reason: some financial centers serve as hubs and channel VC and PE abroad. Investors allocate their capital in these hubs because they rely on the efficiency of the financial community there. This is exactly what we try to measure with our index. In fact, we focus on the demand for VC and PE in a particular economy, and likewise on the state of the professional financial community that supports the supply side and directs the funds to the investee corporations. Therefore, investments according to the location of the general partners correspond best to the concept of our index. In addition, we use investments — and not raised funds — because our index measures the “absorption capacity” (either caused by direct local demand or by channeling funds abroad) of the particular economies. Funds raised might deviate from this capacity due to herding behavior of investors, caused by over-optimism or negligence.



## Exhibit 8: tracking power of our index



The statistical measure for such a comparison is the Pearson correlation coefficient. It ranges between 0 and 1, where 0 signals “no” and 1 “perfect tracking.” The coefficient for our index is 0.8336, signaling that the index performs well when tracking a country’s investment activity. However, it is calculated including only the 58 countries from our sample with non-zero investment activity. We illustrate the high correlation in [Exhibit 8](#).

[Exhibit 8](#) reveals the tracking power of our index. We plot the countries’ investment activity on their index scores and can identify a strong link. We note that the prior 2009/10 index correlated with 0.8104 which was already a very satisfying result.

Nevertheless, we could still improve the tracking power of the index due to our optimization effort and the slight changes of the index structure and weights in the 2011 version. If we compare the results of our VC index with VC activity (only), the correlation is 0.8242. The correlation of our PE index with actual PE activity is 0.8347. All these results can be considered excellent from a methodological perspective and all correlations could be improved compared to the prior index version. However, it should be noted that there are inhomogeneous definitions of VC and PE among the globe. Especially in emerging countries, some transactions might better be called “infrastructure investments” or “project

financing” instead of VC transactions. Similarly, some investments in later stage company life cycles rather resemble “expansion or development capital” than traditional buyout structures. Also for this reason of varying definitions of VC/PE among the globe, we determine the combined Global VC and PE Country Attractiveness Index which provides a joint score for both asset classes.

## Our index and historic VC/PE returns

Concurrent to the finding that our index performs well when tracking VC and PE activity in countries, it is of particular interest to analyze if it also corresponds with country performance. Unfortunately, performance figures are still one of the best kept secrets in the VC and PE industry. The principle not to disclose information on returns is equally valid in developed and in emerging markets. On top of that, the emerging VC and PE markets are young with a general low activity (despite some exceptions) and hence, only a very few transactions from which achieved returns can be calculated. Therefore, an assessment of VC and PE performance is even more challenging for the developing countries than for the developed. Commercial data suppliers only provide very limited performance figures. The only means to get reliable performance data on a sufficient scope for empirical analyses is via the extensive effort to collect private placement memoranda (PPMs). A private placement memorandum is a document edited by a general partner that raises a VC/PE fund and solicits capital commitments from institutional investors. It is a marketing document used for fundraising purpose. General partners provide information about their track records and the performance of individual transactions in

PPMs. The figures are audited and investors trust them. However, only successful general partners raise a subsequent fund and edit a PPM. Therefore, their use is criticized by academic researchers, as average performance figures from PPMs are upward biased. Nevertheless, there is no reason to believe that this upward bias is different among particular countries. This means benchmarking countries is feasible because then countries are compared relative to each other and the absolute terms are not important.

Lopez-de-Silanes, Phalippou and Gottschalg (2010) put together from PPMs the most comprehensive database on VC and PE returns at the investment level containing the performance and characteristics of 7,453 investments, thereof 1,694 in emerging countries. The first transaction considered was closed in 1971 and the last prior to 2006. We are grateful to Ludovic Phalippou for providing us with aggregated country returns from this database. These returns are compiled as the mean average of gross internal rates of return of all transactions in a particular country. We are aware that this is a rough estimate, disregarding different transaction closing dates (fund vintage years), industries, deal structures and development cycles of the particular VC/PE markets. Unfortunately, controlling for these effects is impossible

with the available data on VC/PE and on our global scope. In addition, an IRR is a capital and time weighted return measure that requires a reinvestment assumption and that has aggregation issues as described in Phalippou (2008). However, the IRR pitfalls are the same for all transactions and for all of our countries. Therefore, they do not affect our cross-sectional country benchmarking approach.

With these aggregate country performance measures, we can analyze to what extent our index not only tracks VC and PE market activity but also the average returns. We can match the index scores of 49 countries (thereof 24 emerging countries) with their aggregate performance data. We find that the correlation between the index scores and a country's average gross internal rate of return is 0.56. This high correlation is expressed in [Exhibit 9](#), which represents the average of the country returns and index scores when we group the countries into deciles with respect to their index scores.

### Exhibit 9: historic performance and our index

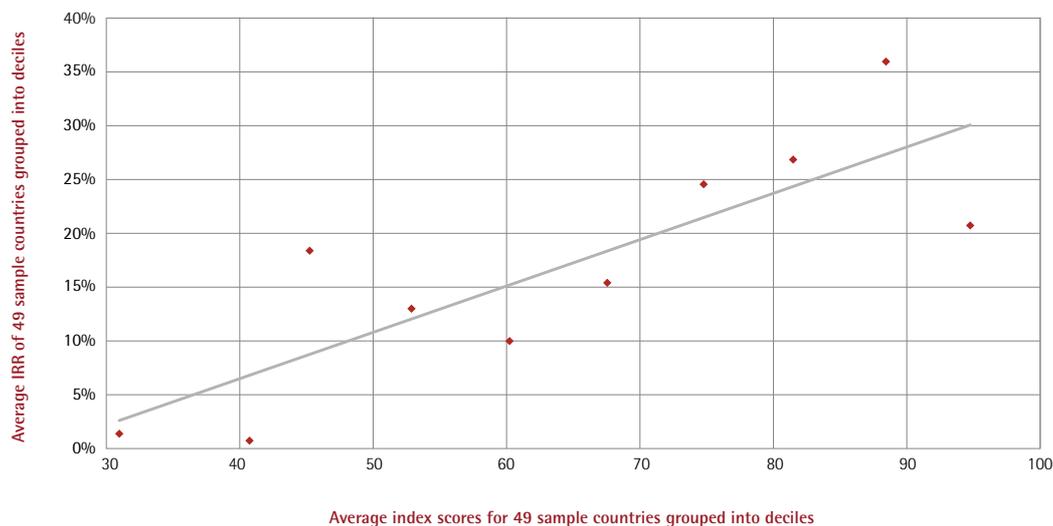


Exhibit 9 reveals that our index is not only a valid proxy for VC and PE activity, it is also a good indicator for aggregate country returns. The averages of historic gross internal rates of return were actually larger in countries that rank higher in our index than in countries that rank low. Nevertheless, there are “outliers,” meaning low ranked countries with high returns and vice versa. Additionally, of course, there is a strong dispersion of returns within the particular countries, driven by the existence of very successful transac-

tions in any of them. We highlight that the internal rates of returns collected by Lopez-de-Silanes, Phalippou and Gottschalg (2010) are calculated gross of any fees. We can assume that fees are higher for investors in markets with less competition among general partners. Therefore, we expect the less competitive emerging markets to be more costly for investors. This effect supports our result and should increase the correlation if we considered net returns to investors.

## Summary and outlook

We provide a composite measure that determines the attractiveness of 80 countries to receive capital allocations from investors in the VC and PE asset class. The composite measure is based on six main criteria: economic activity, depth of the capital markets, taxation, investor protection and corporate governance, the human and social environment, and entrepreneurial culture and deal opportunities. The definition of these criteria is based on an extensive review of academic literature and on a survey we conducted among institutional investors prior to our study. The six criteria are not directly observable, so we use proxy variables to assess them for each country. As a result, we receive a country ranking, as well as provide detailed analyses on the strengths and weaknesses of the particular nations and information on the historic development of the criteria. Our index performs well when tracking real VC and PE activity and historic aggregate country performance. However, it must not be interpreted as a crystal ball for investment advisers. We highlight our intention to challenge the discussion about the determinants of vibrant VC and PE markets and to propose a valuable informational tool, but not an arbitrage instrument.

We find a general pattern if we compare the country characteristics. There is a lot of dispersion with respect to the six key drivers. Some countries attract investors with tax incentives. Many countries show strong entrepreneurial culture and deal opportunities. There is great dispersion in economic activity, especially with respect to the emerging markets and in the human and social environment. However, the two key criteria, investor protection and corporate governance, and depth of capital markets, make the difference. The common law countries dominate the others regarding these criteria. We can conclude that strong investor protection and corporate governance rules lead to liquid and efficient capital markets, and these evoke the required professional community to secure deal flow and exit opportunities for VC and PE funds. This ultimately affects a country's attractiveness for institutional investments in the VC and PE asset class.

However, this discussion reflects the capital supply side only. We should also take into account that, as revealed by our analyses, many countries lack several important characteristics. Without a sufficient entrepreneurial culture and deal opportunities, with rigid labor markets, bribery and corruption, there will be first, less demand for VC and PE and second, returns to investors diminish.

Emerging VC and PE provides interesting opportunities to investors. However, it is the discussed lack of balance of the key driving forces that renders emerging VC/PE allocation decisions challenging. Exceptional growth opportunities come at the cost of disadvantageous conditions with respect to investors' protection, less liquid exit markets, innovation capacity and perceived bribery and corruption.

We invite you to observe and thoroughly analyze our results. If you are an investor, please enrich the provided information with your own expertise and knowledge about the key driving forces and market conditions in the particular countries to make your allocation decisions. If you are a politician, please use our analyses as demonstration how investors evaluate and benchmark your country. If you are a researcher, and this is equally valid for the whole constituency, please do not hesitate to criticize our approach and findings. We will continue to update our index annually.

As the index evolves, we aim to cover more countries, assuming the right data is available. We will include new data series (discard others), and further optimize the data selection and index structure. Hence, we very much appreciate any critique and comment.



## II. How are fund size and fund performance related?





## Giants at the gate: diseconomies of scale in private equity investment returns

My co-authors, Florencio Lopez-de-Silanes and Oliver Gottschalg, and I have put together the largest and most up-to-date dataset on PE investment performance and characteristics. Our data comes from fund-raising private placement memorandums (PPMs) that we have collected over the past eight years from investors on every continent. After applying a number of filters, mainly to eliminate those investments that are too young to have a meaningful return, our final sample contained 7,453 investments made in 81 countries by 254 PE firms between 1971 and 2005. This data allowed us to derive statistics for issues that are often debated in private equity and to document the main drivers of the cross-section of returns. Prompted by the large increases in the size of PE funds, we paid special attention to the impact of scale on returns and found evidence of the potential mechanisms that power this relationship.

First, we provided new descriptive statistics and stylized facts on the distribution of performance, duration and size of PE investments around the world. We found a dramatic dispersion in the rate of returns: investments in the 75th percentile have an internal rate of return (IRR) of 50%, whereas those in the 10th percentile earn nothing. Most investments in our dataset are relatively long-lived, with the median duration of the investments being nearly four years. But evidence emerged from our analysis that the long-lived investments are not the ones that deliver high returns. In fact, we observed a strong negative association between performance and duration. Quick flips (investments held less than two years), which account for 12% of all PE investments, have median IRR (Public Market Equivalent [PME]) of 85% (1.94), whereas investments that were held more than

six years, which account for nearly 18% of all PE investments, had a median IRR (PME) of only 8% (0.79).

Our statistics uncovered additional stylized facts for investments across countries. We documented substantial underperformance of investments in emerging markets, which may be of interest given their recent spectacular growth surges. The data also allowed us to show, for the first time, that most PE investments around the world are small equity-wise. The median equity investment is US\$10 million only. The large deals trumpeted in the press are, by far, the exception.

Second, we identified the drivers behind the great variation in the performance of PE investments. Our investment-level data allowed us to document the performance impact of several investment and PE firm characteristics. We found that the small investments outperformed the larger ones. In addition, and contrary to some of the arguments by fund managers, our results show a close connection between public and private equity: the average stock-market return over the life of an investment has a significant impact on IRR.

Our most important finding, however, is that PE firm scale is a significant and

consistent driver of returns. Casual evidence suggests that the scale of PE firms is an important concern for investors. Lerner *et al.* (2005) argue that “the unprecedented growth of the private equity industry appears to have changed the industry in some permanent ways. First was the scale at which private equity groups operated. These concerns were particularly acute on the buyout side, where multi-billion-dollar funds have become the norm.” Along similar lines, Swensen *et al.* (1999) reported that “many LBO firms appear to have explicitly lowered their return hurdles [...], pricing deals to yield returns in the mid-to-high teens.” Indeed, the current scale of several PE firms contrasts sharply with that of PE firms 20 years ago. When comparing the 16 professionals at KKR and the 470 at RJR Nabisco’s headquarters, Jensen (1989) suggested that PE firms were positioned to generate superior performance partly because they were lean and focused organizations.

Today, the industry is more concentrated (Cornelius *et al.* 2007) and PE firms sometimes have hundreds of professionals from a variety of backgrounds doing a large number of deals around the world. Blackstone, a prominent PE firm, des-

Guest contribution by:

Ludovic Phalippou

Associate Professor of Finance  
University of Oxford Saïd Business School  
[ludovic.phalippou@gmail.com](mailto:ludovic.phalippou@gmail.com)

cribes itself as: "A firm of 1,300 professionals in 15 offices worldwide. But we are more than that, our portfolio companies employ nearly one million people around the world making us a major factor in economies around the world. If our portfolio holdings and transactions were combined into a single company, [we] would rank as the equivalent of number 13 in the Fortune 500." If a similar calculation were applied to KKR, it would place KKR fifth in the Fortune 500 ranking, just ahead of General Electric. This change in the industry raises the question: can large PE firms deliver sufficient returns?

There is a large body of theoretical literature on the connection between a firm's size and its performance; the emerging consensus seems to be that "the key trade-off an organization confronts occurs between communication and knowledge costs." Garicano (2000, abstract) notes: "As a firm accumulates activity, it benefits from an increased utilization of its knowledge (i.e., it leverages its know-how), but it is penalized by greater communication needs (i.e., people need to sit in endless meetings trying to find an agreement)."

Although diseconomies of scale may be important for industrial firms, they may not lead to differences in returns across financial intermediaries such as PE firms. If agents are rational (e.g., investors are not limited in the number of funds they can monitor), the market for capital is competitive and there are no other frictions (e.g., no agency conflicts), then there should be no difference in the returns offered by different firms. If large firms were to offer lower returns, all else being equal, they would simply receive less capital and would no longer remain large. But most of these arguments are unlikely to hold true in PE. For example, the provision of capital for PE firms is not continuous. Investors can only add capital to a PE firm every two to four years, when a new fund is raised.

This means that, if a firm turns out to be too big, it takes a few years for investors to adjust its size.

In view of these theoretical arguments, communication costs should be a key determinant of performance. Using the data we gathered for individual investments, we were able to create a proxy for the volume of information communicated in the firm over the life of each investment. Specifically, we measured firm scale for each investment as the average number of simultaneously held investments managed by the firm over the investment's life. We believe this is a good measure because it captures two key features connecting scale and returns in PE. PE firms are supposed to monitor, closely and continually, each of the companies in their portfolio. In addition, each investment, regardless of its size, probably requires a similar amount of time and communication. So, the number of investments under management is a good proxy for firm scale. Because we did not have a time-series of returns for PE firms, we related the total performance of each investment to the average scale of the firm over the life of the investment.

Our empirical estimates show that firm scale is a robust and consistent driver of the cross-section of returns of PE investments. Investments held at times of a high number of simultaneous investments (SI) underperform substantially. The economic magnitude of the scale effect is large: a one-standard-deviation increase in SI decreases IRR by 9%. Investments in the lowest SI decile earn a median IRR (PME) of 36% (1.65), whereas those in the highest SI decile earn a median IRR (PME) of 16% (1.08). These results hold in a regression setting controlling for other factors that could be associated with performance, including several investment characteristics, PE firm characteristics and fixed effects (country, industry, and time).

We performed a series of tests which corroborated the robustness of the negative scale effect. Diseconomies of scale were present across subsamples; they survived the use of alternative econometric methods and they were not the result of a simple mechanical effect resulting from firms exiting best-performing investments faster. We also showed that survivorship bias, differences in risk and reverse causality were unlikely to explain our findings.

The third and final element of our work was to test some additional predictions of diseconomies of scale models and to provide evidence of the potential mechanisms explaining the negative scale effect. We collected additional data from PE directories, PE firm websites, managers' biographies and the PPMs to develop proxies for the organizational structure of PE firms. These measures provided empirical support for the idea that hierarchical firms and organizations where the information flow is more difficult, face higher marginal communication costs and, thus, display greater diseconomies of scale. Our data shows that independent PE firms, those with flatter decision structures and those with professionals of similar backgrounds, exhibited less pronounced scale diseconomies. We also found that diseconomies of scale decreased over the life of the firm. This is consistent with investor's learning about the effect. The effect decreases regularly and has disappeared beyond the 10th anniversary. This is also consistent with PE firms handling communication better as they become more experienced. This means that the scale of a PE firm beyond its 10th anniversary is not predictive for its future performance.

# Fund size, limited attention and valuation of VC backed firms

“We all had too much money. It was just too easy ... The problem ... was that the funds had grown so big that the 2% became as important as the 20% ... Success had less to do with performance or risk management ... and more to do with bulking up.”

*A Confession by a Private Equity Manager, The New York Times (September 22, 2009).*

Valuation is important to both venture capital (VC) firms and entrepreneurs, and is therefore a contentious negotiation point. For the investors, their return mainly results from the capital gain between closing and exit. For entrepreneurs, the pre-money valuation determines their dilution after the VC's investment. In our paper “Fund size, limited attention and valuation of venture capital backed firms” (*Journal of Empirical Finance*, volume 18, issue 1, January 2011, pages 2-15), we examined how characteristics of venture capital funds, in particular, fund size impact the pricing in the venture capital industry. It is clear that the 2/20 rule can be an incentive to VCs to

grow their fund size. When a fund becomes large, the fixed part of the fee can become as important as the carry. Since the typical VC fund has seen an increase in capital managed per partner as fund sizes grew, we raised two simple questions:

1. **Are investment managers still able to provide appropriate quantity and quality of services to their investee corporations if they manage a larger amount of capital?**
2. **If there is a decline in the quantity or quality or both of their services, (how) does this affect the valuations of their investees or the performance they deliver to their investors?**

We addressed these two questions by looking at a sample of 9,266 financing rounds with valuation data of US VC transactions between 1991 and 2006 provided by the VentureXpert database. **Table 2** sets out our observations, ordered by year.

We postulated that reputable VCs are likely to pay lower prices. We also assumed that fund size can be related to reputation. Moreover, larger funds can have more negotiation power and, hence, might also pay lower prices. However, if a fund grows too big, i.e., beyond its optimal scale, human capital levels might not keep up with the capital under management. This can dilute the managers' attention to

Guest contribution by:

**Douglas Cumming**

Professor in Finance and Entrepreneurship,  
Ontario Research Chair in Economics and  
Cross Cultural Studies  
[dcumming@schulich.yorku.ca](mailto:dcumming@schulich.yorku.ca)

**Na Dai**

Assistant Professor of Finance at the  
school of business at SUNY–Albany  
[ndai@uamail.albany.edu](mailto:ndai@uamail.albany.edu)

**Table 2: our sample transactions ordered by year**

Year	Number of financing rounds	Rounds with valuation data
1991	1,136	78
1992	1,302	265
1993	1,058	230
1994	1,111	312
1995	1,014	343
1996	1,328	429
1997	1,497	535
1998	1,581	755
1999	2,457	1,296
2000	3,571	1,966
2001	2,314	1,137
2002	1,726	615
2003	1,684	494
2004	1,800	351
2005	1,987	250
2006	2,188	210
All years	27,754	9,266

particular transactions. Furthermore, more capital under management could result in less rigorous decision-making behavior, and higher entry valuations. In addition, diluted attention might reduce the VC's value-adding capacity. Either way, less time spent monitoring the portfolio can lead to lower returns to investors.

To address these questions, we first grouped the transactions from Table 2 according to the different industries of the investee firms, and according to the fund size of their backers. Table 3 presents this segmentation.

Table 3 reveals that the highest valuations were achieved in the communication technology sector and that larger funds were engaged in higher-value transactions. This is, in principle, no reason for concern, as large cap funds should focus on large cap investments. However, it becomes an issue, if the larger general partners (GP) systematically pay higher prices than the smaller ones, or if they are less successful in divesting their holdings. Therefore, we analyzed via numerous multivariate regressions whether there was a relationship between pre-money valuations and a GP's reputation, its fund size, measures of attention to the portfolio companies, and various characteristics of the ventures, such as entrepreneurial firm's size, their stage of development, industry, location and VC market conditions, including committed capital and number of IPOs during the previous year. We rated a VC's reputation by the number of IPOs undertaken and used a proxy for the capital managed per partner of a fund to assess the attention devoted to the portfolio. Additionally, we verified whether fund size or insufficient monitoring impacted the performance of the ventures. Unfortunately, without having performance data for the particular transactions, we had to use a proxy. We differentiated successful from failed deals and used an indicator for a trade sale or an IPO exit prior to 2007 for all financing rounds before 2003 to assess a GP's portfolio performance.

**Table 3: our sample transactions ordered according to their industry and to the size of their backers**

Pre-money valuation [US\$m]			
	Mean	Median	Observations
<b>Industry</b>			
Computer related	42.2	18.7	4032
Communication	68.4	25.9	1771
Medical/health/life sciences	30.8	18.2	1395
Biotechnology	40.0	19.2	790
Semiconductor	46.9	20.5	623
Non-tech	42.3	17.7	655
<b>VC fund size</b>			
Largest quartile	74.1	34.2	2311
Second quartile	45.4	22.7	2293
Third quartile	33.1	17.1	2344
Smallest quartile	30.1	12.8	2318

Our analyses confirmed that reputable VCs pay lower prices for ventures of similar quality. We also found a convex (U-shaped) relationship between fund size and valuation. This means that, to a certain extent, larger funds can receive smaller valuations, probably because of superior negotiation power or the benefit of an assumed better reputation. However, this trend was reversed when the funds operated beyond their optimal level. This effect was even stronger for the less prestigious GPs. We also confirmed the theory that limited attention affects valuation. We realized there was a strong link between our proxy for capital under management per partner and the prices the GPs paid. Finally, we found a concave (inverse U-shaped) relationship between the fund size and the probability for successful exits. That means that the probability for a successful exit first increases with the size of the GP, but diminishes again, having surpassed its optimal scale.

Our findings are important for investors in venture capital assets. There is a scale diseconomy, which we believe relates, at least in part, to human capital constraints. General partners do often not increase

human capital levels proportionally to the growth in fund size. Limited partners should carefully gauge the development of funds that are increasing in size; the value-adding potential of general partners can decrease with their size, in turn, causing lower returns to investors.

# III. An insight into different VC and PE markets





## Is the Eurozone still an attractive location for VC and PE investors?

VCPE markets in the Eurozone have returned to growth, but they are facing a new, more competitive environment. Limited partners have new attitudes to risk and responsibility; high financial gearing has been replaced with new business models that focus on long-term growth; and the regulatory environment is more intense than ever. With investment opportunities in emerging markets still increasing and the Eurozone in the midst of a sovereign crisis, is it still an attractive investment location?

### 2010 — a year of consolidation and timid recovery in PE and VC activity

Global private equity (PE) and venture capital (VC) — VCPE — investment is recovering from the significant falls experienced during the crisis. In the Eurozone, 2010 was a year of consolidation and the start of a timid recovery for VCPE. With the worst of the global crisis behind us and investors' risk appetites returning, PE activity increased significantly and exit numbers improved strongly, up from 227 in 2009 to 268 in 2010.<sup>6</sup> In particular, there was an increase in the number of large IPOs of more than US\$500m in value, although the overall number of listings remained low. Nevertheless, the improved availability of financing helped kick-start the recovery, as debt markets came back to life.

6. *Has private equity come out of the slump?* Sachin Date, Ernst & Young, January 2011

#### Guest contribution by:

##### Julie Teigland

Leader of Strategic Growth Markets  
- Europe, Middle East, India and Africa  
Ernst & Young  
[julie.teigland@de.ey.com](mailto:julie.teigland@de.ey.com)

In the Eurozone, as in the global VCPE market, the levels of activity have remained well below the pre-crisis peaks, reminding us that the road to full recovery will be long and possibly bumpy. The recovery is also likely to take the VCPE sector into new territory. First, risk appetite is unlikely to return to pre-crisis levels. This will have an ongoing impact on the availability of external finance. Second, VCPE houses will have to operate in a different legislative and regulatory environment, with increased reporting and capital obligations. Finally, VCPE houses are changing the way they operate: experience has shown that value creation is best achieved within long-term and close commitments. For the investors, this means putting more of their own money, knowledge and expertise into the investee company.

While this consolidation was ongoing, a two-speed recovery was under way. Today, the Eurozone presents itself as increasingly heterogeneous with a robust economic rebound in the core economies (Germany, France, Netherlands, Belgium, Austria and Finland), and weak performance in the periphery (Greece, Ireland, Portugal and Spain, and to a lesser extent, Italy). This widening gap presents VCPE houses with a choice of investment opportunities to suit the highest and lowest risk investment models.

### Taking stock: Eurozone's strengths and weaknesses for VCPE investment

VCPE investment is influenced by a range of factors that can be grouped into six categories, which we analyze more closely in this report: economic activity; entrepreneurial culture; depth of a capital market; taxation; investor protection and corporate governance; and the human and social environment.

The tendency for Eurozone VCPE activity to lag other countries and regions is partly the result of deficiencies in a number of these areas. Over the past decade, and even well before the 2010 Eurozone sovereign crisis, economic activity has typically risen more slowly in the Eurozone than in the US or Scandinavia. In the 10 years to 2007, Eurozone GDP growth averaged 2.3% per year compared with 3% in the US.<sup>7</sup> Moreover, a wealth of indicators and anecdotes support the view that it is more difficult to start a business in the Eurozone than in many other advanced economies. The World Bank ranks Germany 88th in the world in terms of ease of starting a business, with the top ranks dominated by nimble Asian countries.<sup>8</sup> As venture capital targets young companies hurdles to entrepreneurship, including complicated and lengthy legal requirements or issues in obtaining access to

7. Oxford Economics

8. World Bank Doing Business indicators

finance, severely limit VC opportunities. To continue with the German example, there are roughly nine steps required to start a company in Germany, compared with around five in the OECD on average, and it costs around 5% of the average personal annual income to set up a business compared with just 1.5% in the US.

Some Eurozone countries also fare quite badly in terms of investor protection. For instance, the World Bank's indicators highlight examples such as limited director liability in France or limited disclosure rules and practices in Spain. Factors such as these may deter limited partners from investing in Eurozone companies.

Similarly, the Eurozone lags behind other leading nations in areas of human and social environment, such as the quality of the education system, with the large Eurozone countries behind Asian and Scandinavian countries in terms of basic educational achievements. They also lag the US and the UK (and increasingly Asia) in terms of quality and quantity of academic research.

Furthermore, VCPE firms sometimes need to restructure the company in which they are investing. To do so, they must comply with local labor legislation and practices, which, in turn, are key factors affecting the industry's potential. Businesses in the larger Eurozone countries such as France and Spain often find themselves constrained by rigid hiring and fi-

ring practices and inflexible working time practices. This also applies to some smaller member countries such as Slovenia or the new joiner, Estonia.

### Forgotten strengths

The picture of the Eurozone market for VCPE investors is by no means unendingly bleak. Some of the Eurozone's shining stars have attracted VCPE investors. To name just a few:

- The **Netherlands** provides an investor-friendly environment, with one of the best track records for intellectual property protection and legal rights enforcement.
- **Finland's** labor force is highly skilled and flexible. Finland ranked third in the 2009 PISA survey of student performance.
- **German** companies are more innovative than most, with world leaders in a number of industries ranging from pharmaceuticals to solar panels to highly specialized machinery — according to the World Bank, Germany spends 2.6% of GDP on research and development, more than the world (2.2%) and EU (2%) average.

These examples show what is possible to achieve within a European context and explain why VCPE investors have kept a high interest and stakes in the region.

Overall, the three countries mentioned above provide some of the most favorable environments for VCPE firms to conduct business in. Our survey shows them ranking among the top nations in terms of innovation, efficiency of business start-up and closure regulations.



**Will the recovery continue in 2011 or will the Eurozone lose out to the US and Asia?**

A number of factors are likely to support a further recovery in VCPE activity in the Eurozone this year. First, economic activity, and thereby prospects for returns on investments, should continue to improve in the core Eurozone countries. These countries experienced robust growth in 2010, with the main engine of recovery gradually shifting from exports to domestic activity and, in particular, fixed assets investment. While the core Eurozone faces its own challenges, with large budget deficits and an aging population, these issues are surmountable and this group of countries should be able to achieve robust, if unremarkable, growth. This provides a relatively secure environment for VCPE firms to operate in.

Second, we estimate that there is a staggering US\$138b of “dry powder” capital held by European PE firms seeking investment opportunities before their investment periods expire.<sup>9</sup>

However, there are also significant challenges; the Eurozone is competing with other potential locations for PE investment. As that growth is likely to be significantly lower in the Eurozone than in other regions, many PE houses may prefer to focus on other parts of the world. The Ernst & Young Eurozone Forecast expects annual average GDP growth of only 1.8% per year over the next five years in the Eurozone, about half as much as in the US and compared with around 7.5% in emerging markets. The sovereign bond crisis, which erupted in 2010, highlighted significant flaws in Euro-

zone economies, which will take years of painful adjustment to repair. Significant fiscal and structural issues need to be addressed and potentially adjusted. For example, fiscal adjustment involves large spending cuts, wage freezes or wage cuts for public sector employees and some tax increases mainly in the form of higher VAT rates. In the *Ernst & Young Eurozone Forecast* we estimate that, for the Eurozone as a whole, fiscal restructuring will amount to around 1% of GDP for the next few years, a sharp reversal from the large stimulus packages put together during the global crisis.

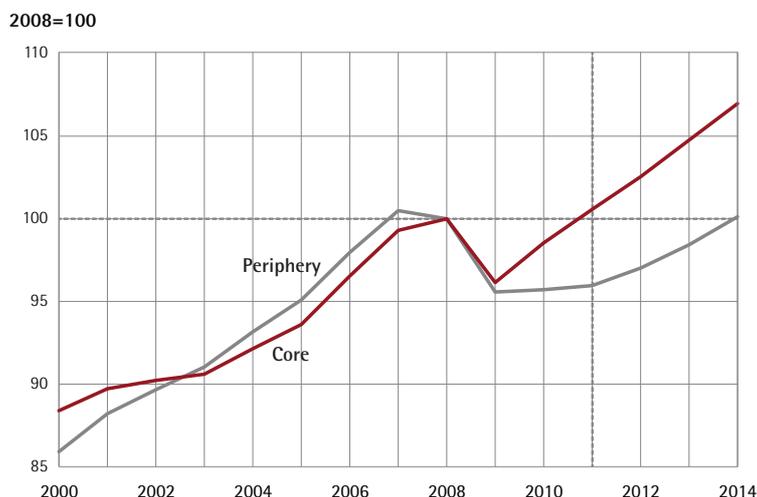
**The Eurozone needs to restructure its economy to remain competitive**

In terms of structural issues, a number of countries in the periphery need to reshape their economies in two ways. First, these countries (excepting Ireland) need to tackle their competitiveness (or lack thereof). This includes wage and

cost restraints and an overhaul of productivity-enhancing practices. Secondly, these countries need to find new sources of growth. For Ireland and Spain, this is partially due to the collapse of the construction and its unlikely return to pre-crisis levels in the near term. For the other countries, it is means discovering and exploring areas of expertise that generate significant export revenues. In all cases, these changes imply a radical rethink of the way that businesses are organized, the sectors that they operate in and of the education and training of the workforce that is required. These processes will be disruptive. They may create some opportunities for VCPE firms, but distinguishing the promising targets from the others in the transition process will be difficult.

The restructuring needed in the periphery implies that there will be a much weaker performance than in the core Eurozone. In the next five years, we expect

**Exhibit 10: Eurozone divergence**



Sources: Oxford Economics

Core = Germany, France, Netherlands & Belgium  
Periphery = Italy, Spain, Greece, Portugal & Ireland

<sup>9</sup>. *Has private equity come out of the slump?* Sachin Date, Ernst & Young, January 2011

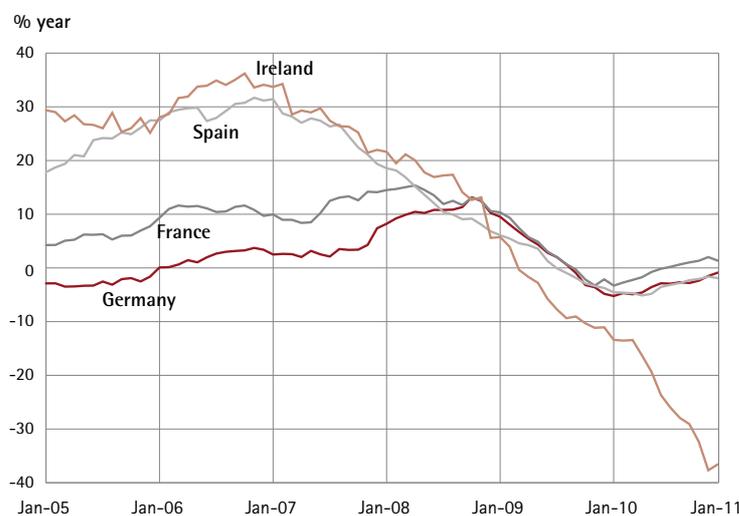
the periphery to grow by only around 1.3% per year compared with 2.1% for the core Eurozone.<sup>10</sup> This is a significant change from the years before the crisis when the periphery consistently outperformed the core Eurozone. This may imply a change of focus for VCPE houses. Apart from affecting relative returns, divergence within the Eurozone has a number of significant implications. The Eurozone sovereign crisis has also put into question the future of the monetary union, something that was taken for granted as recently as 2009. While it seems likely that the European Monetary Union will continue in its current form, investors are now pricing in the risk of a debt restructuring by some Eurozone members. This radical change in sentiment affects availability of finance in the periphery. Moreover, economic divergence is likely to make policy decisions more difficult, further hampering economic integration of the Eurozone countries. As a result, this may dampen any prospects of economies of scale for those companies which operate in several markets.

### External finance likely to remain tight

Other challenges for the VCPE industry may include access to finance and rising costs. The implementation of the AIFM Directive (which will regulate non-UCITS fund managers) in national law over the next few years will impose significant costs on VCPE firms that could drive investors to look to other regions not affected by the legislation – despite the fact that the harmonization objective underpinning this directive is a welcome development. In particular, there

10. Oxford Economics

**Exhibit 11: loans to non-financial corporations**



Sources: Oxford Economics/Haver analytics

is widespread concern that the AIFM Directive will prevent non-EU funds from investing. The disclosure rules would also put EU firms at a disadvantage as non-EU investors would avoid the heavy disclosure burden. Recent bank lending surveys indicate banks' continued cautiousness in granting loans to businesses. This partly accounts for why, at the end of 2010, the outstanding amount of loans to businesses was barely back to the level of one year earlier. Furthermore, the activity in debt markets remains low by the standards of the pre-crisis years. Structured finance with high gearing will not work in Europe for the foreseeable future (for deals greater US\$100m, we found that about 58% of equity was employed to fund them)<sup>11</sup> and VCPE firms will need to continue putting in higher levels of equity into buyout deals.

11. *Has private equity come out of the slump?* Sachin Date, Ernst & Young, January 2011

There are also concerns about the future of corporate taxation in the EU. The need to reduce public budget deficits may lead some governments to raise corporate taxes to levels that would make the Eurozone uncompetitive compared with other regions of the world. Moreover, there are proposals to harmonize corporate taxes within the EU to avoid what politicians describe as unfair tax competition. This means that the relatively low tax rates of Ireland and Slovakia cannot be taken for granted in the future. This will increase the level of uncertainty about the business environment and discourage investment in the Eurozone.

All of these factors will make for a challenging environment that may hinder VCPE activity by deterring firms from investing in the Eurozone and hampering PE houses' ability to exit their investment at a time when many hold large portfolios that are coming to maturity.

### Opportunity for bargain deals in Europe?

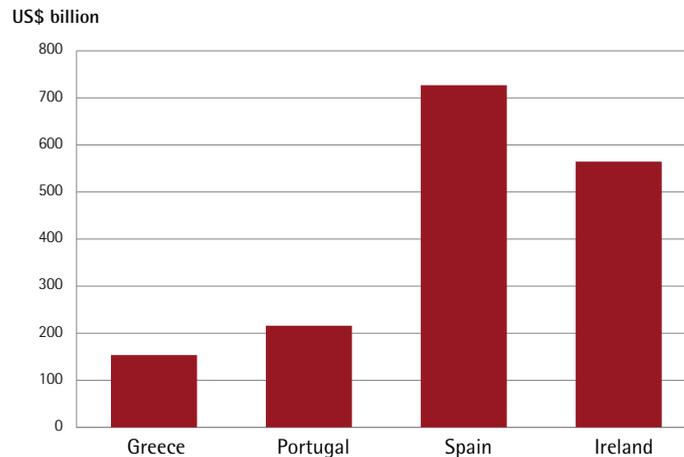
The depressed economic environment in the Eurozone's periphery may, however, present attractive valuations for some deals. A number of emerging markets have expressed interest in making medium- to long-term investments in Portugal and Spain, for instance. But we think that the crucial issue in balancing risks and potential rewards is the solidity of the PE investors' financial backing.

Investing in the periphery presents significant risk and the prospect of several years of low or negative returns. The risk of sovereign debt restructuring by one peripheral country still remains significant. If it happens, it seems unlikely that restructuring will proceed in an orderly fashion. It may send shock waves through financial markets of the restructuring country and other peripherals, as well as those of the core Eurozone. The contagion could be significant as European banks (and mainly German and French banks) own more than US\$1.5b of debt from Greece, Ireland, Portugal and Spain.<sup>12</sup> Debt restructuring could undermine the banks' balance sheets in the core of the Eurozone, with repercussions for economic activity in these countries too. Such a shock may also send the euro exchange rate spiraling downward, implying a significant currency risk to investors.

It is worth commenting that the Eurozone periphery is actually a heteroge-

12. Bank of International Settlements

Exhibit 12: European banks claims on "peripherals"



Sources: Oxford Economics/Haver analytics

neous area; Ireland is grouped with other countries in the south due to its fiscal and banking woes, but the fundamentals of the Irish economy are significantly stronger than those of Greece or Portugal, with a large and still thriving high-tech sector that should present attractive opportunities for VCPE. This is why, in the medium term, we are much more optimistic about Ireland than we are about the other peripheral countries. We believe that the Irish economy has the ability to return to growth rates of around 3.5% in the second half of this decade, compared with probably only 1.5%-2% for Greece, Portugal and Spain.

As a result, only those investors that are able to survive a protracted rough patch should consider such opportunities in the periphery.

### What can policymakers and lawmakers do to foster VCPE activity?

Research indicates that VCPE activity has significant positive impacts on the economy as a whole. For instance, studies by the World Economic Forum found that, in the years after VCPE transactions, productivity growth is higher in target firms than in similar companies. This suggests that policymakers should seriously consider fostering the development of VCPE by strengthening corporate governance and investor protection, and by avoiding excessive taxation and regulation. So while much of the policy debate focuses on tightening the regulation of the sector, this needs to be implemented alongside measures that help catalyze the positive spillovers of VCPE on the rest of the economy. As mentioned, access to funds is one of the main weaknesses

in VCPE development in the Eurozone. This can be enhanced within the framework of new regulatory rules, for instance, by granting tax concessions to investments in high-tech sectors or by setting up public co-investment of high-tech focused funds. The European Investment Bank (EIB) is already active in the VC market and has provided financial support to a number of projects. However, the EIB lent €79b in 2009, which represents only 0.7% of the EU's GDP.<sup>13</sup> This type of action may need to be increased to keep Europe's place in the global economy.

The potential negative impact on growth of Eurozone fiscal restructuring in the years ahead will make it even more important for governments to foster activity in the private sector. Indeed, cash-strapped government departments will not be able to sustain, let alone increase, funding of research and innovation. As the emerging markets move up the value chain, it will be increasingly important for advanced economies to keep a technological edge. VCPE offers a channel to fund research and innovation privately. Indeed, VC is key to funding young and entrepreneurial companies, those that drive innovation, thereby vital to the Eurozone's future. Finally, it would pay to ensure rapid growth in some nascent sectors that would involve a first mover advantage. High-tech, biotech and green technology are all areas in which the Eurozone could gain significantly from leading other countries and regions. They are also capital-intensive sectors that are ideal

13. European Investment Bank

recipients of VCPE investments. In this respect, scale is a significant issue. This calls for the deeper integration of the European VC industry promoted by pan-European regulation and legislation.

### **Adapting to a challenging and changing environment**

Overall, the unfolding economic recovery should provide a more favorable background for VCPE firms in the Eurozone. Estonia's entry to the Eurozone on 1 January 2011 is a testimony to the region's attractiveness and the benefits that are still to be gained from the institutional setup. Nonetheless, the Eurozone also presents a number of challenges, including limited access to finance, relatively rigid labor markets, and opaque corporate governance. The outlook is further clouded by uncertainties around the risk of debt restructuring in some Eurozone countries that would send shockwaves through financial markets and lead to a significant depreciation of the euro exchange rate. At a time when governments are focusing on spending cuts, and budgets for public-funded research are pared back, growing the Eurozone VCPE industry that can finance innovation and help new companies reach a critical size should be a very attractive option. For this to happen though, the policy rhetoric needs to move from a focus on tighter regulation to intelligent regulation that promotes VCPE firms that are committed to deliver value to their investors and the economies they operate in.



## Investing in Africa – challenges and opportunities

The 2011 Global VC/PE Country Attractiveness Index sees African countries moving up the rankings, increasing their position relative to counterparts in Latin America and Central and Eastern Europe. Better economic forecasts are central to this improvement, just as they are to the overall level of VC/PE activity in Africa.

Output growth in Sub-Saharan Africa is projected to accelerate to 5.5% in 2011 by the International Monetary Fund (IMF),<sup>14</sup> with GDP forecast to grow by more than 7% in oil exporters Nigeria and Angola, at nearly 6% in Kenya and at a steadier 3.5% in regional hub South Africa. Natural resources are a key driver of expansion, but economic reform, increasing cross-border trade and expansionary public spending are also significant factors.

As economic output grows, increasing amounts of development capital will be required, both for infrastructure and for corporate investment. Africa's growing middle classes are providing a particular stimulus to industries such as consumer goods, telecoms, financial services and pharmaceuticals, leading to a growing need for investment capital. Government finance, bank borrowing and the financial markets are all potential funding sources. Even so, there will always be some gaps between what governments can afford to fund and what banks or other investors are willing to lend, and it is here that VC/PE investors often find interesting investment opportunities, whether in private sector companies or through public private partnerships.

Economic growth in North Africa has also been forecast to be strongly positive in 2011, although political unrest may yet have an effect on IMF forecasts that are mainly in the 4%-5% band, including 5.5% in regional powerhouse Egypt. Nonetheless, there is much more to VC/PE activity in Africa than economic growth prospects in a handful of countries and industries. In the rest of this article, we explore some of the features of VC/PE investment in Africa from three different perspectives.

14. IMF, World Economic Outlook, October 2010



## Critical success factors when conducting VC/PE deals in Africa

The full scope of VC/PE activity in Africa spans a large range of countries, industries and investments, so it follows that the way deals are identified, assessed, funded and executed also varies widely. Investment professionals who specialize in VC/PE transactions are well placed to spot patterns as they emerge.

One such pattern is geographic. The well-established hubs of VC/PE activity are South Africa and Nigeria, often used as stepping stones into other regional markets. In addition to countries such as Namibia and Kenya covered by the 2011 Index, Victor Kgomoewana of Ernst & Young's Africa Business Center identifies Angola, Ghana, Tanzania and the Democratic Republic of Congo as countries with emerging appeal for PE investors. Mr. Kgomoewana also points to the growing role of regionalization. Kenya, Tanzania, Uganda, Rwanda and Burundi now form a common market in East Africa, helping to generate larger investment opportunities and encouraging companies to expand their geographic footprint.

Patterns can also be seen when it comes to the industries attracting VC/PE investment. Again, Mr. Kgomoewana identifies some common themes. "With many African countries coming from a low physical and economic infrastructure base; roads, telecoms, power generation and financial services are all attractive industries; along with secondary sectors such as construction," he says. "Growing consumer spending power is giving the retail and consumer products industries a boost too." In addition to the obvious appeal of hydrocarbons and other natural resources, Mr. Kgomoewana also points to African

potential for growth in renewable energy such as hydroelectric and solar power.

African investment opportunities tend to have uniquely African features. One is the way that new technology can open up new possibilities by leap-frogging historic problems. Information technology and communication technology in particular have the scope to help other industries achieve dramatic leaps forward, typified by the rapid development of mobile phone-based banking in Kenya. A similar area of potential fusion receiving growing attention – again with obvious social benefits – is telemedicine and e-health.

Tax is another area where African PE investments often differ from those in developed markets. Craig Miller, Ernst & Young's Transaction Tax leader for Africa points to three particular features. "One is that the finance cost of acquiring a company's shares is rarely tax deductible," he explains. "This reflects a desire for an even-handed approach, given that domestic dividends are usually untaxed." The second feature is the challenge of extracting profit across borders, owing to the withholding taxes applied by many African countries to dividends, interest, royalties and fees paid to foreign investors. The third feature is that PE investments may be liable to capital gains tax on disposal, although Mr. Miller points out that with careful planning, the effect of CGT arising upon exit may be reduced.

There are, of course, many factors for VC and PE firms to consider when weighing possible investments in Africa. Graham Stokoe of Ernst & Young's Transaction Advisory Services practice for Africa points to the importance of developing

local knowledge and contacts as a means to identify and assess potential investment opportunities. "Identifying and retaining high-quality management teams with the skills to evolve what are often family-run businesses into something more is critical too," he adds.

Mr. Stokoe also highlights the importance of understanding political sensitivities, "particularly when it comes to assets involving natural resources or opportunities involving government led infrastructure projects." Again, to potentially reduce these risks, Mr. Stokoe and Mr. Kgomoewana both stress the importance of building personal relationships and local knowledge. Above all, they emphasize the need for patience and an open, transparent approach that addresses the potential concerns of all stakeholders. Investors prepared to take pains with their approach are likely to find a range of potentially attractive investments waiting to be made.

#### Doing PE deals in Africa – one firm's approach

Just as in other markets, an African PE fund managed by a company looking for buyout opportunities or the chance to supply an established company with growth capital will typically be looking to invest in companies that have already achieved success but have the potential to step up in scale. The size of investment a fund seeks to make will vary depending on its size and reach, whether local, national, regional or pan-African. At the larger end of the scale, funds will typically be seeking to invest in companies with the potential to achieve regional dominance.

One such group of funds are the Pan-African Investment Partners funds (PAIP I and II) managed by Kingdom Zephyr Africa Management (KZAM). KZAM is owned by New York investment house Zephyr Management, L.P. and Kingdom Holding Company, the investment holding vehicle controlled by HRH Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud of Saudi Arabia. As a firm, KZAM typically looks for opportunities in the US\$30m-US\$75m bracket, with a focus on three investment themes.

"First, we are interested in opportunities that address the needs of the rapidly growing African middle class," says Johannesburg-based partner Robert Horton. KZAM is certainly not alone in identifying the high percentage of many countries' populations that are younger than 30 – in many cases, with far better levels of education than those of their parents – as a growth opportunity. "We look in particular for industries with direct exposure to the aspirations of this group," explains Mr. Horton, citing the telecoms, financial services, and affordable housing sectors as examples. The knock-on effect of hou-

sing construction and growing consumer spending can also be felt in sectors such as cement, power generation, consumer goods and agribusiness.

Second on the list of investment themes is regional expansion. The PAIP funds have a history of investing in local African businesses with the potential to grow into multi-country enterprises. Regionally expanding businesses are central to KZAM's investment strategy because they benefit from the diversification of currency and country-specific risks, attract more experienced management and offer improved exit options. Business expansion is also the key to sustainable regional economic development and integration, something KZAM has a history of championing.

The third KZAM investment theme is partnering with portfolio companies to achieve the company's long-term performance goals. KZAM works closely with investee companies, providing the assistance necessary to strengthen operations, advance business strategy and enhance governance, ultimately propelling the company and the investment to success.

Recently, KZAM has been seeing potential growth opportunities come out of transformation – something which tends to be more specific to a particular market – and connections with other emerging markets. Transformational programs such as black economic empowerment in South Africa and oil and gas indigenization in Nigeria can lead to a shake-up in ownership and a chance for fresh capital and external expertise in strategy or governance to be put to work. On the subject of connections with other emerging markets, "It goes without saying that

Asian demand for natural resources gives many African mining and resources companies exceptionally good growth profiles," says Mr. Horton. He cites the fact that African companies are increasingly building cross-border business under their own steam as further evidence of the potential for growth.

If the potential attractions of private equity investment in Africa are so compelling, what about the supposed difficulties – such as political interference? Mr. Horton does not dismiss the role that political factors can play in African transactions, but stresses that most problems can be overcome with a sensitive, intelligent and restrained approach. He gives the example of one opportunity "that on the face of it was an obvious take private, exit public investment." However it was decided that maintaining a local listing would help to maintain local support without overturning the economics of the transaction. In the end that particular deal did not take place, but it illustrated an approach that Mr Horton feels can generate long-term goodwill without eroding rates of return.

## An African perspective on venture capital

Within the VC/PE universe, VC in Africa is defined much as it is elsewhere – equity funding of technology-driven businesses that are aiming for rapid growth in international markets. At the same time, VC in Africa has some features all its own.

For now, South Africa represents Africa's most developed VC market. A recent survey<sup>15</sup> of 33 South African VC funds commissioned by The Southern African Venture Capital and Private Equity Association (SAVCA) showed that at least R2.6b was invested in VC assets between 2000 and July 2010, although the true total could well be higher. The study found several indications of the VC industry's sophistication in South Africa. One was the range of VC fund types, which include independents, single-sponsored funds, government funds, family offices and corporate venturing. The dominance of private sector VC investments during the decade and the spread of industries targeted for investment were other positive indicators. As J-P Fourie, Executive Officer of SAVCA puts it: "The report provides real evidence that VC is an active, albeit emerging sector in South Africa."

At the same time, the study identified some weaknesses. One key area identified by almost all surveyed firms as needing improvement is South Africa's exchange controls. These can restrict the outward movement of expertise and capital, and were cited by some as a reason for having lost transactions to international VC funds. At a time in the economic cycle when many funds are looking to exit investments, SAVCA also sees a need for public sector funds to step in and fill the resulting hiatus in the provision of early stage capital. The role of the government-backed Technology Innovation Agency, which has taken longer than anticipated to get up and running, is expected to be crucial in this area. "As well as the good news, it is also clear that a lot needs to be done by public and private stakeholders to encourage and strengthen the VC industry," says Mr. Fourie.

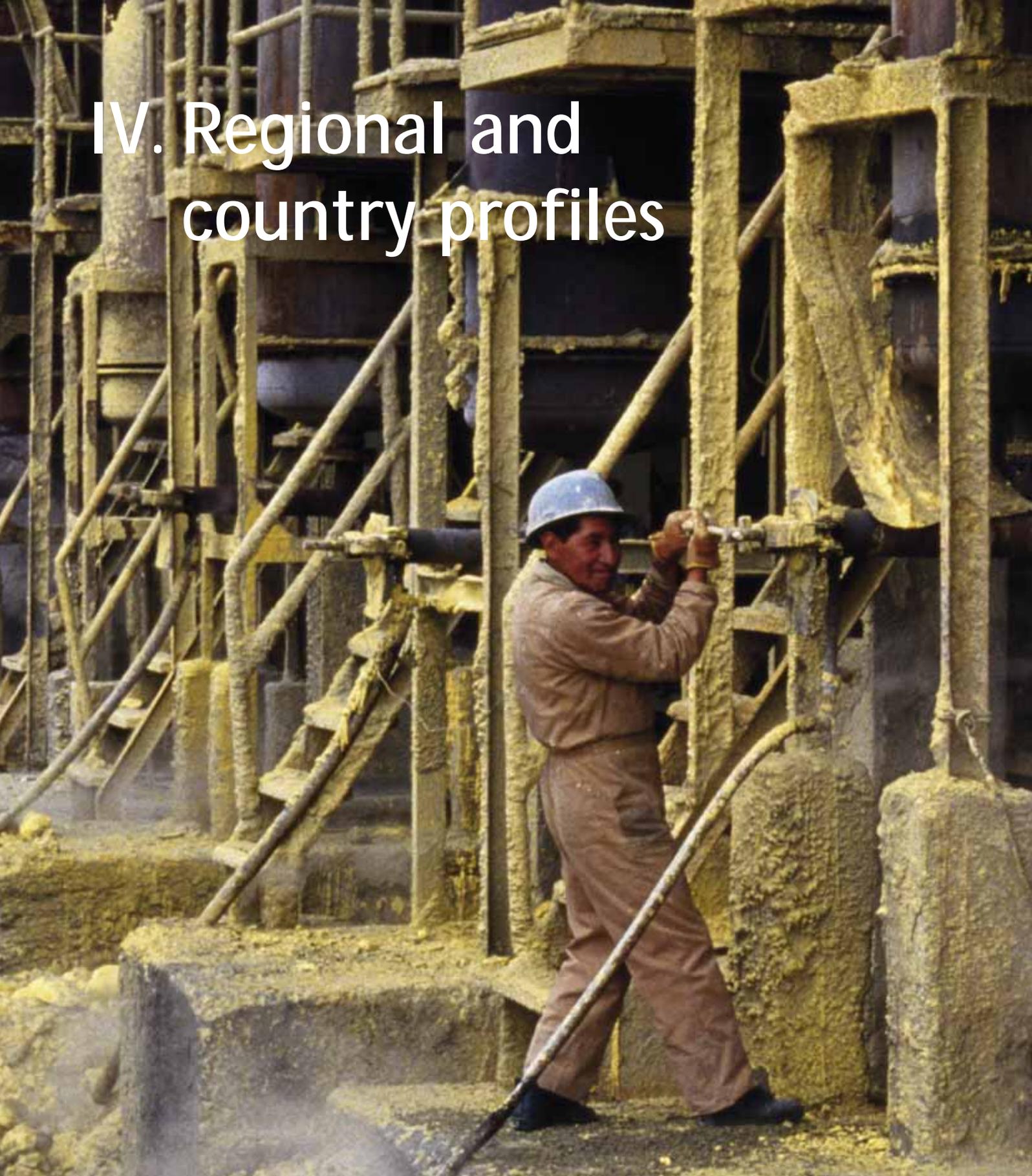
In comparison with South Africa, the VC industry in many African nations is still in the early stages of development. As an asset class, VC in Africa tends to be less accessible than conventional SME finance or later stage PE finance. Govern-

ment and multilateral funds are generally predominant, and corporate venturing is often more common than independently managed VC investment. Weak levels of investor protection can be a limitation on VC activity in some countries, but as in the wider African PE market, local knowledge and local contacts are crucial to mitigating many potential risks. Another perennial problem – which is also not restricted to the VC asset class – is finding good-quality management teams.

Nonetheless, there are African VC funds looking for fast-scaling investments across the region. Adlevo Capital, based in Mauritius (there fund is in Mauritius but they have offices in Johannesburg and Lagos – see [www.adlevocapital.com](http://www.adlevocapital.com)), is one example of an independent VC firm seeking technology-driven investments that can offer attractive returns and achieve social development goals in Sub-Saharan Africa. These goals reflect a sense that, at its best, VC activity can play a valuable role in stimulating grass-roots economic development in Africa, as well as representing an attractive investment class in its own right.

15. SAVCA Venture Solutions 2010

# IV. Regional and country profiles





## How to read the country and regional profiles

The first page of the performance overview shows basic facts, a SWOT-analysis, the country's key driver ranks, the ranks according to the separate VC and PE Indices, as well as a comparison within the regional peer group.

### 1 Basic Facts and Opportunities and Challenges

"Basic Facts" comprises main indicators such as GDP, population, and their growth rates, and the country's position with respect to its IPO, M&A, VC and PE market activity expressed in quartiles of the sample of countries. The section "Opportunities and Challenges" provides the reader with a SWOT analysis regarding the country's VCPE investment conditions. These analyses are provided by local teams from Ernst & Young.

### 2 VCPE-Ranking and Key Factor Performance

The "VCPE-Ranking" table exhibits the index values and the ranking positions of the country for the overall index, and for each key driver separately, for the 2007 through to 2011. Next to the current rank, the change of a ranking position is indicated by green arrows for an increase in rank, red arrows for a decrease and yellow arrows indicate no movement. The quartiles indicate the country's position among all the countries in the sample. The spider chart on the right shows the performance of each key driver compared to the average of the region where the country is located.

We note that the overall VCPE ranking is not the average rank from all the key drivers. First, the key drivers have different weights, and second, the ranking is always the result of a benchmark process: the rank of a country also depends on the ranks of the key drivers of the other sample countries. A simple example helps to explain this issue and why countries can improve or deteriorate their ranking without respective improvements or deteriorations of their key drivers: imagine there are four countries to benchmark with the following key driver ranks (and assumed equal weights of all key drivers for this example):

Key drivers/ranks	Country			
	A	B	C	D
Economic activity	2	1	3	4
Depth of a capital market	2	1	3	4
Taxation	2	3	1	4
Investor protection and corporate governance	2	3	1	4
Human and social environment	2	3	4	1
Entrepreneurial culture and opportunities	2	3	4	1
Overall rank	1	2	3	4

Even if country A ranks on the second position with all the key driver scores its final rank is number one.

### 3 Separate VC and PE indices and comparison within peer group

The chart left shows the country's ranking position for the combined VCPE and for the separate VC and PE country attractiveness indices over time. On the right, we present the country relative to its peers. The peer group is determined by nine countries of the same region. If we cover less than nine countries from a particular region we add countries from other regions to the peer group. The set of peers is not always the same. It is the selection of eight other countries in alphabetical order, plus the country in question.

### 4 The Global Venture Capital and Private Equity Country Attractiveness Index in detail

The second page of information for the individual countries presents the ranks achieved for each of the level-2 constructs. Once again, the arrows mark ranking changes, and the crosses indicate the country's position measured in quartiles, with respect to all other countries from the sample.

IV. Regional and country profiles

Africa

Basic Facts



GDP	100 (in USD)	IPG Index	10
Population	100 (in millions)	VC Activity	10
GDP Growth	100 (in %)	PE Activity	10
IPG Growth	100 (in %)		

SWOT Analysis

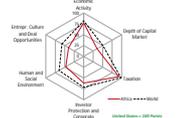
- Strengths**
- With a population of one billion and a growing middle class and urban population, Africa is poised for long-term economic growth.
  - Abundant solar energy, hydro-electric potential and geothermal capacity.
- Weaknesses**
- Infrastructure, which requires annual investments over USD 10b for the next 10 years, continues to slow down trade with high costs of imports and exports.
  - Shortage of skills, aggravated by the effects of migration as well as the requirement by some African countries to hire locals.
  - Corruption still threatens service delivery and socio-political stability.
- Opportunities**
- Growth in internet penetration places Africa on the information superhighway.
  - Exponential growth in mobile communications (over 50% in under 10 years) has halved the cost of digital communication.
  - Mineral and other resources are still being discovered in areas previously not considered (for example, Angola and Ghana are the new oil giants and Tanzania is a growing gold producer).
- Threats**
- Political risk.
  - Growing trend toward resource nationalism and local ownership could dampen investor appetite.
  - Government's over-investment in corporate or MSA activity.
- Outlook**
- The African economy looks set to achieve sustained growth by a rate above the global average.
  - Africa's large middle class and working population should drive growth in consumer products and improve the region's resource prospects by 2050.
  - Any dislocation to the global economic recovery could mean a slower economic recovery for Africa.

Victor Engelmann, Eric S. Young  
victor.engelmann@crp.com

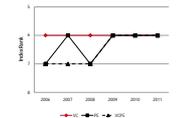
VCPE Ranking

	2007 Rank	2011 Rank	Quartile
VCPE Ranking	7	43.3	6
Economic Activity	6	77.2	7
Depth of Capital Market	4	25.1	6
Taxation	6	92.6	6
Inv. Prot./Corp. Gov.	6	61.5	6
Human and Social Environment	7	42.4	7
Entrepr. Cult./Risk Opp.	7	40.0	8

Key Factors Performance



Separate VC and PE Index



Comparison within Peer Group

	2007 Rank	2011 Rank	Quartile
North America	1	92.4	1
Australasia	2	83.8	2
Western Europe	3	78.5	3
Asia	4	65.4	4
Middle East	5	62.9	5
Africa	7	43.3	6
Eastern Europe	6	44.4	7
Latin America	8	44.0	8

Details

	2007 Rank	Value	2011 Rank	Quartile
<b>1. Economic Activity</b>				
1.1 Size of the Economy (GDP)	7	26.0	7	6
1.2 Medium-Term Real GDP Growth	4	18.2	1	6
1.3 Unemployment	8	93.7	7	6
<b>2. Depth of Capital Market</b>				
2.1 Size of the Stock Market	6	52.1	6	6
2.2 Stock Market Liquidity (Trading Volume)	6	12.2	6	6
2.3 IPO Market Activity	7	18.4	7	6
2.4 M&A Market Activity	7	25.3	8	6
2.5 Debt and Credit Market	7	63.6	6	6
2.6 Bank Non-Performing Loans to Total Gross Loans	8	59.9	8	6
2.7 Financial Market Sophistication	6	58.5	5	6
<b>3. Taxation</b>				
3.1 Tax Incentives and Administrative Burdens	6	92.6	6	6
<b>4. Investor Protection and Corporate Governance</b>				
4.1 Corporate Governance	7	65.3	5	6
4.2 Security of Property Rights	6	61.4	6	6
4.3 Quality of Legal Enforcement	7	57.8	7	6
<b>5. Human and Social Environment</b>				
5.1 Education and Human Capital	7	45.4	7	6
5.2 Labor Market Regulations	5	65.2	5	6
5.3 Bribing and Corruption	8	35.9	8	6
<b>6. Entrepreneurial Culture and Opportunities</b>				
6.1 Innovation	7	24.8	7	6
6.2 Scientific and Technical Journal Articles	6	46.3	6	6
6.3 Ease of Starting and Running a Business	6	77.1	6	6
6.4 Simplicity of Closing a Business	5	65.3	5	6
6.5 Corporate R&D	8	17.7	8	6

# Africa

## Basic Facts



GDP	1082 [bn USD]	IPO Volume	
Population	408 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- With a population of one billion and a growing middle class and urban population, Africa is poised for long-term economic growth
- Abundant solar energy, hydro-electric potential and geothermal capacity

### Weaknesses

- Infrastructure, which requires annual investments over US\$10b for the next 10 years, continues to slow down trade with high costs of imports and exports
- Shortage of skills, aggravated by the effects of migration as well as the requirement by some African countries to hire locals
- Corruption still threatens service delivery and sociopolitical stability

### Opportunities

- Growth in internet penetration places Africa on the information superhighway
- Exponential growth in mobile communications (over 50% in under 10 years) has halved the cost of digital communication
- Mineral and other resources are still being discovered in areas previously not considered. For example, Angola and Ghana are the new oil giants and Tanzania is a growing gold producer

### Threats

- Political risk
- Growing trend toward resource nationalism and local ownership could dampen investors' appetite
- Governments' intervention in corporate or M&A activity

### Outlook

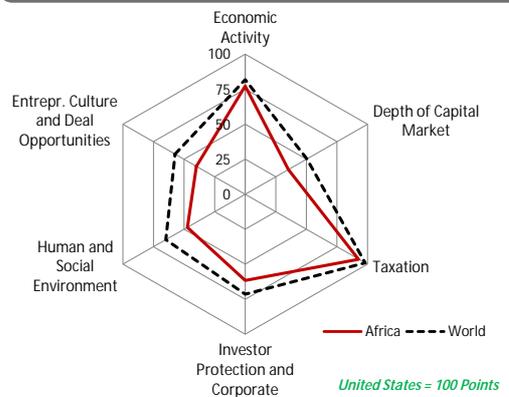
- The African economy looks set to achieve sustained growth by a rate above the global average
- Africa's large middle class and working population should drive growth in consumer products and improve the region's economic prospects by 2050
- Any disruption to the global economic recovery could mean a slower economic recovery for Africa

Victor Kgomoewana, Ernst & Young  
victor.kgomoewana@za.ey.com

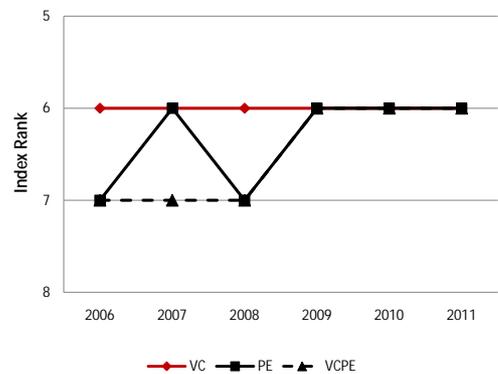
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	7	47,3	6		
Economic Activity	6	77,2	7		
Depth of Capital Market	6	35,1	6		
Taxation	6	92,6	6		
Inv. Prot./Corp. Gov.	6	61,5	6		
Human/Social Env.	7	47,4	7		
Entrepr. Cult./Deal Opp.	7	40,0	8		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
North America	1	97,4	1		
Australasia	2	83,8	2		
Western Europe	3	78,5	3		
Asia	4	65,4	4		
Middle East	5	62,9	5		
<b>Africa</b>	7	47,3	6		
Eastern Europe	6	44,4	7		
Latin America	8	44,0	8		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	7	36,0	7	→	☒	☐
1.2 Medium-Term Real GDP Growth	4	136,7	1	↑	☐	☒
1.3 Unemployment	8	93,7	7	↑	☒	☐

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	6	52,1	6	→	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	6	12,2	6	→	☒	☐
2.3 IPO Market Activity	7	18,4	7	→	☒	☐
2.4 M&A Market Activity	7	25,3	8	↓	☒	☐
2.5 Debt and Credit Market	7	63,6	6	↑	☒	☐
2.6 Bank Non-Performing Loans to Total Gross Loans	8	59,9	8	→	☒	☐
2.7 Financial Market Sophistication	6	58,5	5	↑	☒	☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	6	92,6	6	→	☒	☐

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	7	65,3	5	↑	☒	☐
4.2 Security of Property Rights	6	61,4	6	→	☒	☐
4.3 Quality of Legal Enforcement	7	57,8	7	→	☒	☐

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	7	45,4	7	→	☒	☐
5.2 Labor Market Rigidities	5	65,2	5	→	☒	☐
5.3 Bribing and Corruption	8	35,9	8	→	☒	☐

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	7	24,8	7	→	☒	☐
6.2 Scientific and Technical Journal Articles	6	46,3	6	→	☒	☐
6.3 Ease of Starting and Running a Business	6	77,1	6	→	☒	☐
6.4 Simplicity of Closing a Business	5	65,3	5	→	☒	☐
6.5 Corporate R&D	8	17,7	8	→	☒	☐

# Asia

## Basic Facts



GDP	17049 [bn USD]	IPO Volume	
Population	3406 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- Fastest-growing region of the world economy for many years – set to continue, largely driven by China and India
- Strong position in many manufacturing sectors – in some the result of leading technologies, in others the advantage of comparatively lower labor costs than other regions

### Weaknesses

- Administrative inefficiencies and weaker corporate governance in some markets

### Opportunities

- Debt headwinds in the US and EU may encourage Asian markets to rebalance their economies and promote domestic demand; this could stimulate strong growth in the service sectors if accompanied by structural reform and liberalization
- Rapid increase in the number of urban middle-class consumers
- A move away from the family-owned business model could lead to increased private equity investment

### Threats

- Political tension in some markets could lead to potential for conflict if unresolved
- Asia needs to look at further improving corporate and administrative governance in general, and avoid arbitrary regulatory and business decisions that may discourage foreign investment
- Infrastructure challenges could hinder expansion in potentially fast-growing economies

### Outlook

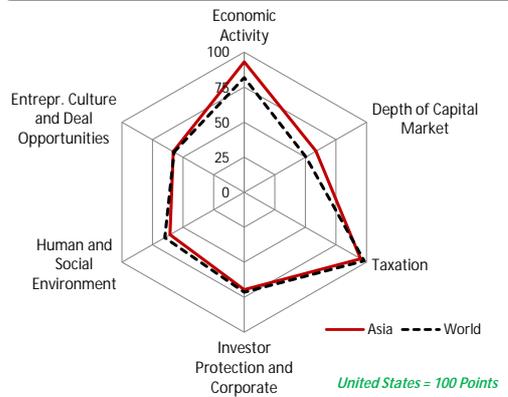
- Asia has a positive economic outlook, but much of this is already factored into asset valuations, with a number of equity markets at or above their pre-crisis peaks after major foreign buying during 2010
- The banking sector is in relatively good shape; non-performing loan ratios are significantly lower than a few years ago
- Both China and India are looking to dampen credit growth in 2011 as part of efforts to contain inflation
- Concerns about excessive capital inflows have led to an increase in capital control measures

Bill Delves, Ernst & Young  
bill.delves@au.ey.com

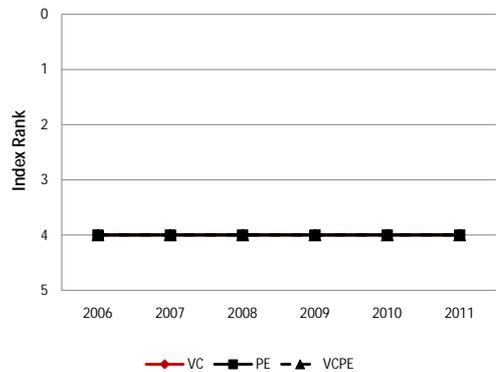
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	4	65,4	4		
Economic Activity	1	93,0	2		
Depth of Capital Market	4	58,6	4		
Taxation	4	95,2	5		
Inv. Prot./Corp. Gov.	5	69,6	5		
Human/Social Env.	5	60,6	5		
Entrepr. Cult./Deal Opp.	4	57,8	4		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
North America	1	97,4	1		
Australasia	2	83,8	2		
Western Europe	3	78,5	3		
<b>Asia</b>	4	65,4	4		
Middle East	5	62,9	5		
Africa	7	47,3	6		
Eastern Europe	6	44,4	7		
Latin America	8	44,0	8		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
1.1 Size of the Economy (GDP)	4	51,6	4	→	■	■	■	■
1.2 Medium-Term Real GDP Growth	3	135,4	2	↑	■	■	■	■
1.3 Unemployment	3	115,2	2	↑	■	■	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
2.1 Size of the Stock Market	2	70,6	3	↓	■	■	■	■
2.2 Stock Market Liquidity (Trading Volume)	5	29,0	3	↑	■	■	■	■
2.3 IPO Market Activity	3	52,5	3	→	■	■	■	■
2.4 M&A Market Activity	4	57,4	4	→	■	■	■	■
2.5 Debt and Credit Market	5	70,1	5	→	■	■	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	7	96,7	6	↑	■	■	■	■
2.7 Financial Market Sophistication	5	56,6	6	↓	■	■	■	■

### 3. Taxation

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
3.1 Tax Incentives and Administrative Burdens	4	95,2	5	↓	■	■	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
4.1 Corporate Governance	4	71,8	4	→	■	■	■	■
4.2 Security of Property Rights	5	69,1	5	→	■	■	■	■
4.3 Quality of Legal Enforcement	5	68,0	5	→	■	■	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
5.1 Education and Human Capital	4	64,8	4	→	■	■	■	■
5.2 Labor Market Rigidities	4	70,9	4	→	■	■	■	■
5.3 Bribing and Corruption	5	48,6	6	↓	■	■	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
6.1 Innovation	4	51,6	4	→	■	■	■	■
6.2 Scientific and Technical Journal Articles	4	50,5	4	→	■	■	■	■
6.3 Ease of Starting and Running a Business	5	75,6	7	↓	■	■	■	■
6.4 Simplicity of Closing a Business	4	70,8	4	→	■	■	■	■
6.5 Corporate R&D	4	46,4	4	→	■	■	■	■

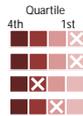
# Australasia

## Basic Facts



GDP 1321 [bn USD]  
 Population 26 [mn]  
 GDP Growth '04 - '10  
 Pop. Growth '04 - '10

IPO Volume  
 M&A Volume  
 VC Activity  
 PE Activity



## SWOT Analysis

### Strengths

- Strong innovation and R&D capacity
- Democratic and stable political, regulatory and legal environment
- Strong economy supported by sound banking and capital market regimes

### Weaknesses

- Low tax incentives
- VCPE performances patchy

### Opportunities

- Strong stock market culture
- PE exits and maturing secondary market
- M&A market recovering

### Threats

- Interest rates are biased upward on inflation
- Increasing competition from well-funded corporates

### Outlook

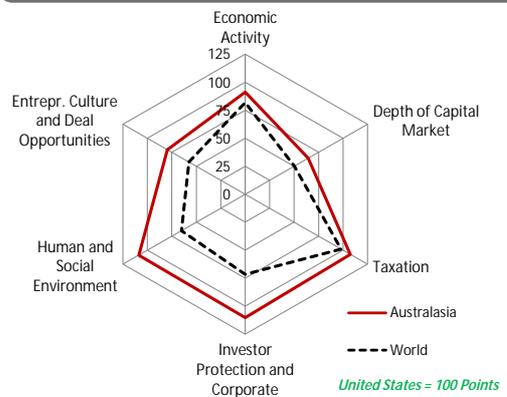
- There will be pressure from limited partners (LPs) to exit investee companies
- The region will have high interest rate environments and generally strong currencies
- Financing and acquisition opportunities are expected to increase
- Strong economies will support corporate profitability and generate good short-term growth prospects

Bryan Zekulich, Ernst & Young  
 bryan.zekulich@au.ey.com

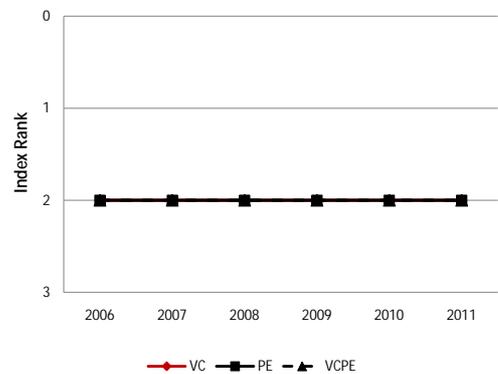
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	2	<b>83,8</b>	2	→	☒
Economic Activity	7	91,1	3	↑	☒
Depth of Capital Market	3	64,5	3	→	☒
Taxation	2	107,5	2	→	☒
Inv. Prot./Corp. Gov.	1	110,1	1	→	☒
Human/Social Env.	1	108,7	1	→	☒
Entrepr. Cult./Deal Opp.	3	79,5	3	→	☒

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
North America	1	97,4	1	→	☒
<b>Australasia</b>	2	<b>83,8</b>	2	→	☒
Western Europe	3	78,5	3	→	☒
Asia	4	65,4	4	→	☒
Middle East	5	62,9	5	→	☒
Africa	7	47,3	6	↑	☒
Eastern Europe	6	44,4	7	↓	☒
Latin America	8	44,0	8	→	☒

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
1.1 Size of the Economy (GDP)	3	54,8	3	→	■	■	■	■	×
1.2 Medium-Term Real GDP Growth	7	118,2	5	↑	■	■	■	■	×
1.3 Unemployment	1	116,7	1	→	■	■	■	■	×

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
2.1 Size of the Stock Market	4	61,9	5	↓	■	■	■	■	×
2.2 Stock Market Liquidity (Trading Volume)	4	22,7	5	↓	■	■	■	■	×
2.3 IPO Market Activity	2	54,2	2	→	■	■	■	■	×
2.4 M&A Market Activity	2	66,4	2	→	■	■	■	■	×
2.5 Debt and Credit Market	2	89,5	2	→	■	■	■	■	×
2.6 Bank Non-Performing Loans to Total Gross Loans	1	117,2	1	→	■	■	■	■	×
2.7 Financial Market Sophistication	2	87,7	3	↓	■	■	■	■	×

### 3. Taxation

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
3.1 Tax Incentives and Administrative Burdens	2	107,5	2	→	■	■	■	■	×

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
4.1 Corporate Governance	1	103,9	1	→	■	■	■	■	×
4.2 Security of Property Rights	1	105,7	1	→	■	■	■	■	×
4.3 Quality of Legal Enforcement	1	121,5	1	→	■	■	■	■	×

### 5. Human and Social Environment

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
5.1 Education and Human Capital	2	101,5	2	→	■	■	■	■	×
5.2 Labor Market Rigidities	2	96,8	1	↑	■	■	■	■	×
5.3 Bribing and Corruption	1	130,8	1	→	■	■	■	■	×

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
6.1 Innovation	3	74,4	3	→	■	■	■	■	×
6.2 Scientific and Technical Journal Articles	2	72,5	2	→	■	■	■	■	×
6.3 Ease of Starting and Running a Business	2	104,6	2	→	■	■	■	■	×
6.4 Simplicity of Closing a Business	2	103,4	2	→	■	■	■	■	×
6.5 Corporate R&D	3	54,5	3	→	■	■	■	■	×

# Eastern Europe

## Basic Facts



GDP	2216 [bn USD]	IPO Volume	
Population	241 [mn]	M&A Volume	
GDP Growth	'04 - - - - - '10	VC Activity	
Pop. Growth	'04 - - - - - '10	PE Activity	

## SWOT Analysis

### Strengths

- Generous tax incentives among most of the Eastern European countries
- Strong stock market in Poland

### Weaknesses

- Generally weak capital market structure in the region
- Lack of experience in structuring and completing complex transactions
- Currency volatility in some countries

### Opportunities

- Rising entrepreneurial culture and opportunities for VC investors
- Ongoing privatization projects
- Reform of legal systems provides increasing security and attractive environment for VCPE

### Threats

- Funding can be difficult for local general partners (GPs)
- Less stable regulatory and enforcement environment than in Western Europe

### Outlook

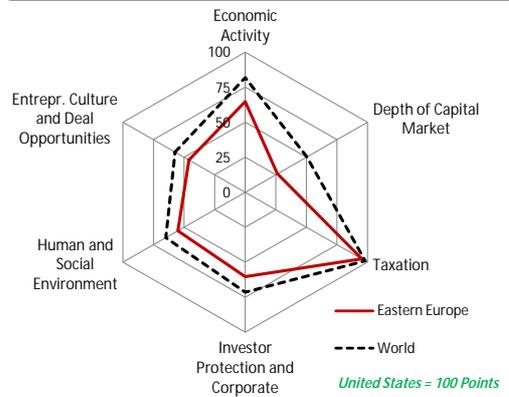
- The regime of tax incentives is expected to continue
- Experience in leverage transactions will increase across the region

Margaret Dezse, Ernst & Young  
margaret.dezse@hu.ey.com

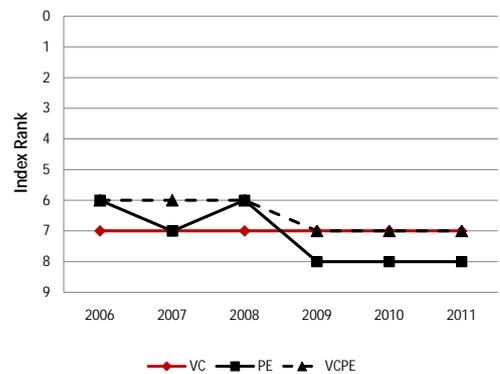
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	6	44,4	7		
Economic Activity	5	64,7	8		
Depth of Capital Market	8	26,4	8		
Taxation	5	95,4	4		
Inv. Prot./Corp. Gov.	7	60,3	7		
Human/Social Env.	6	55,0	6		
Entrepr. Cult./Deal Opp.	6	46,0	6		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
North America	1	97,4	1		
Australasia	2	83,8	2		
Western Europe	3	78,5	3		
Asia	4	65,4	4		
Middle East	5	62,9	5		
Africa	7	47,3	6		
<b>Eastern Europe</b>	6	44,4	7		
Latin America	8	44,0	8		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	8	29,6	8	→	■	■
1.2 Medium-Term Real GDP Growth	1	100,0	6	↓	■	■
1.3 Unemployment	7	91,5	8	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	8	28,9	8	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	7	3,5	8	↓	■	■
2.3 IPO Market Activity	8	15,4	8	→	■	■
2.4 M&A Market Activity	6	29,0	7	↓	■	■
2.5 Debt and Credit Market	6	57,8	7	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	6	84,9	7	↓	■	■
2.7 Financial Market Sophistication	8	40,0	8	→	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	5	95,4	4	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	5	64,7	6	↓	■	■
4.2 Security of Property Rights	7	56,1	7	→	■	■
4.3 Quality of Legal Enforcement	6	60,6	6	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	6	51,8	6	→	■	■
5.2 Labor Market Rigidities	7	64,8	6	↑	■	■
5.3 Bribing and Corruption	6	49,6	5	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	6	35,8	6	→	■	■
6.2 Scientific and Technical Journal Articles	5	46,8	5	→	■	■
6.3 Ease of Starting and Running a Business	4	88,9	5	↓	■	■
6.4 Simplicity of Closing a Business	7	59,7	7	→	■	■
6.5 Corporate R&D	7	23,1	7	→	■	■

# Latin America

## Basic Facts



GDP	4281 [bn USD]	IPO Volume	
Population	491 [mn]	M&A Volume	
GDP Growth	'04 - - - - - '10	VC Activity	
Pop. Growth	'04 ■■■■■■ '10	PE Activity	

## SWOT Analysis

### Strengths

- Latin America has proved to be more robust after the last global crisis and its economic performance is currently at an all-time high
- Improvement of capital markets development compared with previous periods
- Increase in the region's GDP, private consumption and investment
- Strong tax incentives contributing comprehensively to the region's appreciation

### Weaknesses

- Despite the positive growth rates, high historical volatility
- Lack of entrepreneurial culture delaying the development of new companies
- Poor application of the appropriate regulations and laws in several countries
- Imperfection on credit markets
- Disparity in growth across the region
- Accelerated inflation in 2010 exceeded projections due to a stronger than expected recovery
- Nominal and real appreciations in most currencies during 2010

### Opportunities

- Public effort to promote start-ups and innovation

### Threats

- High perception of corruption and weak judicial system in many countries
- Investor protection and corporate governance structures are still underdeveloped in comparison with developed countries
- Most countries managed to escape the impact of higher commodity prices through currency appreciation
- Presidential elections and newly elected governments might increase the uncertainty related to policy-making
- External shocks are likely to have a negative impact through both trade and financial channels

### Outlook

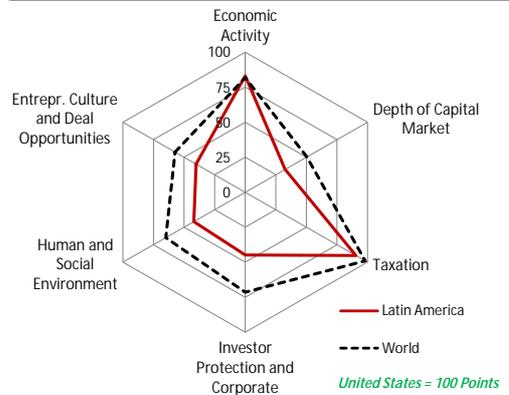
- Almost every economy is expected to grow strongly, with only a few remaining under populist governments
- Inflation projections are expected to be missed (although still one digit rates in almost every country)
- Lack of basic infrastructure is delaying development, but provides new investment opportunities
- VCPE industry is being developed in some countries, while remaining almost non-existent in others

Daniel Serventi, Ernst & Young  
daniel.serventi@ar.ey.com

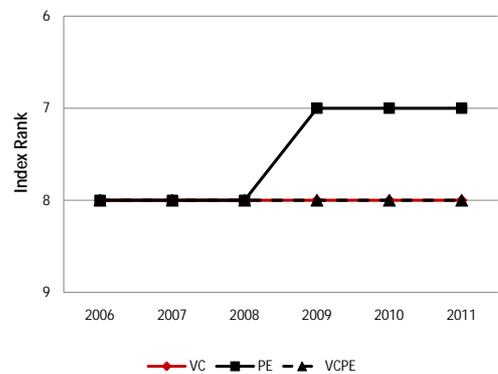
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>8</b>	<b>44,0</b>	<b>8</b>		
Economic Activity	4	83,1	4		
Depth of Capital Market	7	32,6	7		
Taxation	8	90,5	8		
Inv. Prot./Corp. Gov.	8	44,8	8		
Human/Social Env.	8	42,1	8		
Entrepr. Cult./Deal Opp.	8	40,1	7		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
North America	1	97,4	1		
Australasia	2	83,8	2		
Western Europe	3	78,5	3		
Asia	4	65,4	4		
Middle East	5	62,9	5		
Africa	7	47,3	6		
Eastern Europe	6	44,4	7		
<b>Latin America</b>	<b>8</b>	<b>44,0</b>	<b>8</b>		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	5	46,0	5	→	■	■
1.2 Medium-Term Real GDP Growth	5	119,5	4	↑	■	■
1.3 Unemployment	5	104,3	4	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	7	40,7	7	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	8	4,7	7	↑	■	■
2.3 IPO Market Activity	6	18,6	6	→	■	■
2.4 M&A Market Activity	5	39,3	5	→	■	■
2.5 Debt and Credit Market	8	52,9	8	→	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	4	104,9	4	→	■	■
2.7 Financial Market Sophistication	7	50,6	7	→	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	8	90,5	8	→	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	8	53,2	8	→	■	■
4.2 Security of Property Rights	8	41,5	8	→	■	■
4.3 Quality of Legal Enforcement	8	40,8	8	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	8	35,4	8	→	■	■
5.2 Labor Market Rigidities	8	56,6	8	→	■	■
5.3 Bribing and Corruption	7	37,2	7	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	8	23,4	8	→	■	■
6.2 Scientific and Technical Journal Articles	7	45,8	7	→	■	■
6.3 Ease of Starting and Running a Business	8	68,2	8	→	■	■
6.4 Simplicity of Closing a Business	8	59,2	8	→	■	■
6.5 Corporate R&D	6	23,9	6	→	■	■

# Middle East

## Basic Facts



GDP	1112 [bn USD]	IPO Volume	4th 1st
Population	52 [mn]	M&A Volume	4th 1st
GDP Growth	'04 ■■■■■ '10	VC Activity	4th 1st
Pop. Growth	'04 ■■■■■ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Increasing oil prices in 2011 are expected to spur Middle East economic growth
- Retreating inflation

### Weaknesses

- Weak and underdeveloped financial markets following crisis
- Fiscal budget further burdened by the Government's initiative to provide nationals with state subsidies and aid

### Opportunities

- The Gulf Cooperation Council (GCC) has launched a Gulf monetary authority with the prospect of a single GCC currency, further easing trade transactions within the region
- Huge infrastructural investments are paving the way to economic diversification in the region
- There is a focus on businesses wishing to transform from family business to corporate structure
- Assets are available at attractive valuations

### Threats

- The Middle East's longer-term outlook is at risk from Islamic extremism and terrorism
- Sanctions against Iran's nuclear proliferation strategy could create tension in the region, in turn affecting investors' confidence
- Recovery in the region's property market could be longer and more protracted than first expected, particularly in light of stricter lending standards for businesses and consumers

### Outlook

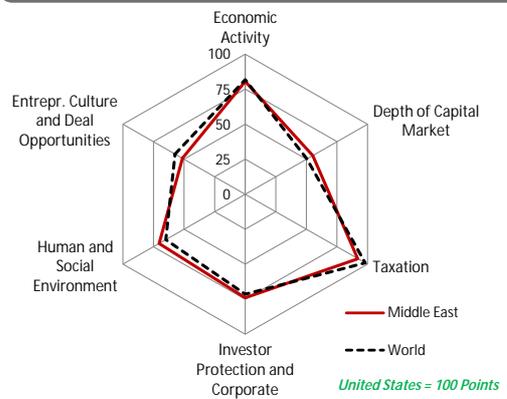
- Inflation is expected to remain relatively stable during 2011, while unemployment and a lack of structural reforms form the region's core social issues

Phil Gandier, Ernst & Young  
 phil.gandier@sa.ey.com

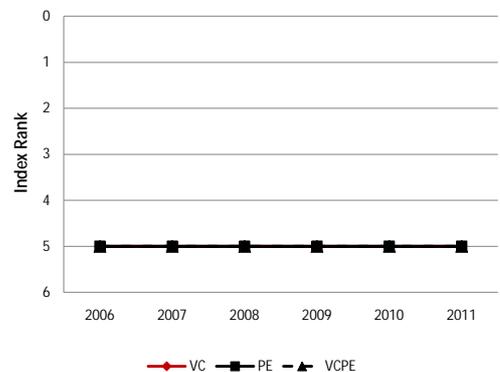
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	5	62,9	5	→	■
Economic Activity	3	80,4	5	↓	■
Depth of Capital Market	5	55,2	5	→	■
Taxation	7	92,0	7	→	■
Inv. Prot./Corp. Gov.	4	73,8	4	→	■
Human/Social Env.	4	70,4	4	→	■
Entrepr. Cult./Deal Opp.	5	51,4	5	→	■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
North America	1	97,4	1	→	■
Australasia	2	83,8	2	→	■
Western Europe	3	78,5	3	→	■
Asia	4	65,4	4	→	■
<b>Middle East</b>	5	62,9	5	→	■
Africa	7	47,3	6	↑	■
Eastern Europe	6	44,4	7	↓	■
Latin America	8	44,0	8	→	■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	6	37,8	6	→	■	■
1.2 Medium-Term Real GDP Growth	2	125,6	3	↓	■	■
1.3 Unemployment	6	109,5	3	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	5	79,6	2	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	3	27,5	4	↓	■	■
2.3 IPO Market Activity	5	38,8	5	→	■	■
2.4 M&A Market Activity	8	32,2	6	↑	■	■
2.5 Debt and Credit Market	4	74,0	4	→	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	5	103,5	5	→	■	■
2.7 Financial Market Sophistication	4	74,3	4	→	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	7	92,0	7	→	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	6	63,4	7	↓	■	■
4.2 Security of Property Rights	4	74,4	4	→	■	■
4.3 Quality of Legal Enforcement	4	85,4	4	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	5	62,1	5	→	■	■
5.2 Labor Market Rigidities	3	78,5	3	→	■	■
5.3 Bribing and Corruption	4	71,6	4	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	5	46,6	5	→	■	■
6.2 Scientific and Technical Journal Articles	8	43,0	8	→	■	■
6.3 Ease of Starting and Running a Business	7	96,6	3	↑	■	■
6.4 Simplicity of Closing a Business	6	61,6	6	→	■	■
6.5 Corporate R&D	5	30,0	5	→	■	■

# North America

## Basic Facts



GDP	16358 [bn USD]	IPO Volume	4th 1st
Population	343 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Better economic recovery compared with other developed markets, particularly Europe
- Recovery of financial markets
- Strong innovation and entrepreneurship culture
- Fully developed and robust VCPE "ecosystem"

### Weaknesses

- Economic recovery not strong enough to show effects on unemployment and to drive substantial increase in domestic demand
- High individual debt and possible further deleverage of individuals
- Continuous decrease in the number of VC funds
- Decline of VC-backed IPOs

### Opportunities

- Innovation and fast growth can be seen in segments such as cleantech, cloud computing, social networks, wireless and security
- Worldwide economic rebound and growth of emerging markets is driving demand for commodities (i.e., energy in Canada) and innovation
- PE-backed IPOs are back

### Threats

- Succession planning in some funds
- The lack of exits is impacting the ability to raise new or follow-on funds
- Global competition is accelerating
- State deficit is likely to lead to increase in taxation and will continue to weaken the US dollar, thus adding foreign exchange risk

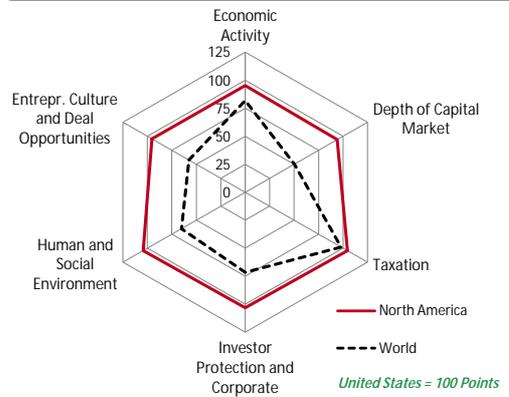
### Outlook

- Industry is strong, with investment and growth opportunities in new and innovative segments
- A consolidation of players in the VC industry is expected

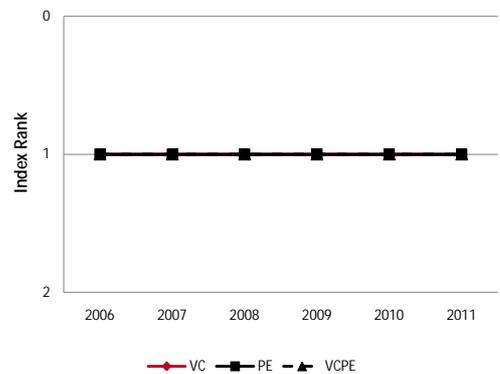
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	1	97,4	1	→	■ ■ ■ ■
Economic Activity	2	95,1	1	↑	■ ■ ■ ■
Depth of Capital Market	1	94,0	1	→	■ ■ ■ ■
Taxation	3	104,5	3	→	■ ■ ■ ■
Inv. Prot./Corp. Gov.	2	103,1	2	→	■ ■ ■ ■
Human/Social Env.	2	104,2	2	→	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	1	95,2	1	→	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
North America	1	97,4	1	→	■ ■ ■ ■
Australasia	2	83,8	2	→	■ ■ ■ ■
Western Europe	3	78,5	3	→	■ ■ ■ ■
Asia	4	65,4	4	→	■ ■ ■ ■
Middle East	5	62,9	5	→	■ ■ ■ ■
Africa	7	47,3	6	↑	■ ■ ■ ■
Eastern Europe	6	44,4	7	↓	■ ■ ■ ■
Latin America	8	44,0	8	→	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	1	86,0	1	→	■	■
1.2 Medium-Term Real GDP Growth	6	99,9	7	↓	■	■
1.3 Unemployment	2	100,0	5	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	1	93,9	1	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	1	73,0	1	→	■	■
2.3 IPO Market Activity	1	91,5	1	→	■	■
2.4 M&A Market Activity	1	91,8	1	→	■	■
2.5 Debt and Credit Market	1	98,5	1	→	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	2	106,5	3	↓	■	■
2.7 Financial Market Sophistication	1	107,1	1	→	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	3	104,5	3	→	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	2	101,5	2	→	■	■
4.2 Security of Property Rights	2	97,2	2	→	■	■
4.3 Quality of Legal Enforcement	2	111,0	2	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	1	106,0	1	→	■	■
5.2 Labor Market Rigidities	1	95,8	2	↓	■	■
5.3 Bribing and Corruption	3	111,5	2	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	1	90,6	1	→	■	■
6.2 Scientific and Technical Journal Articles	1	91,6	1	→	■	■
6.3 Ease of Starting and Running a Business	1	105,1	1	→	■	■
6.4 Simplicity of Closing a Business	1	106,1	1	→	■	■
6.5 Corporate R&D	1	84,6	1	→	■	■

# Western Europe

## Basic Facts



GDP	16166 [bn USD]	IPO Volume	4th 1st
Population	408 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Deep financial markets
- The importance of VCPE, as an asset class, is recognized in the investment landscape
- PE acquisition activity has rebounded and exit opportunities have reappeared in M&A markets. Leverage is returning and is more accessible than in the last two years
- Some sectors, such as green technology, that offer high potential to VCPE firms are given a prime focus by European policy-makers

### Weaknesses

- Medium-term growth potential remains muted, marred by the possibility of renewed sovereign bond tensions
- Western European market remains fragmented
- Competition for quality assets is fierce

### Opportunities

- The EU2020 growth agenda could promote PE investment as a source of innovation
- Valuations are attractive in a number of countries
- PE firms have significant amounts of "dry powder" capital to invest
- Definition of voluntary industry standards could help achieve an effective regulatory system

### Threats

- Economic power is moving to emerging markets
- Regulation is still being defined
- The political quagmire may fail to address the key reform priorities to take Western Europe out of this crisis
- Availability of external funds and leverage is likely to remain below pre-crisis levels for some time
- IPOs remain difficult

### Outlook

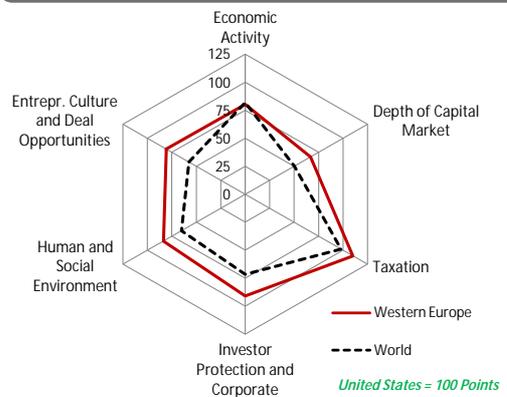
- There is a large portfolio of PE backed European assets that houses will need to exit in order to create returns, so the flow of assets to market is set to increase
- Larger deals will appear with increasing frequency. As credit becomes increasingly available, so transactions should continue to scale up in size
- VCPE firms are likely to continue strengthening relationships with investee firms
- Fundraising conditions will remain challenging as LPs selectively focus on funding top quartile performers with proven track records

Sachin Date, Ernst & Young  
 sdate@uk.ey.com

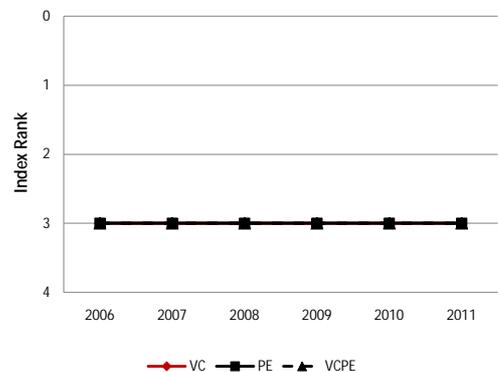
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>3</b>	<b>78,5</b>	<b>3</b>	→	⊗
Economic Activity	8	80,2	6	↑	⊗
Depth of Capital Market	2	66,5	2	→	⊗
Taxation	1	109,9	1	→	⊗
Inv. Prot./Corp. Gov.	3	90,7	3	→	⊗
Human/Social Env.	3	83,6	3	→	⊗
Entrepr. Cult./Deal Opp.	2	80,7	2	→	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
North America	1	97,4	1	→	⊗
Australasia	2	83,8	2	→	⊗
<b>Western Europe</b>	<b>3</b>	<b>78,5</b>	<b>3</b>	→	⊗
Asia	4	65,4	4	→	⊗
Middle East	5	62,9	5	→	⊗
Africa	7	47,3	6	↑	⊗
Eastern Europe	6	44,4	7	↓	⊗
Latin America	8	44,0	8	→	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	2	59,3	2	→	■	■
1.2 Medium-Term Real GDP Growth	8	87,1	8	→	■	■
1.3 Unemployment	4	99,7	6	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	3	63,4	4	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	2	38,9	2	→	■	■
2.3 IPO Market Activity	4	44,7	4	→	■	■
2.4 M&A Market Activity	3	61,8	3	→	■	■
2.5 Debt and Credit Market	3	84,9	3	→	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	3	107,4	2	↑	■	■
2.7 Financial Market Sophistication	3	92,7	2	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	1	109,9	1	→	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	3	72,4	3	→	■	■
4.2 Security of Property Rights	3	94,7	3	→	■	■
4.3 Quality of Legal Enforcement	3	108,9	3	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	3	87,7	3	→	■	■
5.2 Labor Market Rigidities	6	62,4	7	↓	■	■
5.3 Bribing and Corruption	2	106,6	3	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	2	82,3	2	→	■	■
6.2 Scientific and Technical Journal Articles	3	72,4	3	→	■	■
6.3 Ease of Starting and Running a Business	3	93,8	4	↓	■	■
6.4 Simplicity of Closing a Business	3	95,4	3	→	■	■
6.5 Corporate R&D	2	64,3	2	→	■	■

# Albania

Capital: Tirana ++ Official Language: Albanian ++ Currency: Lek

## Basic Facts



GDP	12 [bn USD]	IPO Volume	4th	1st
Population	3 [mn]	M&A Volume	4th	1st
GDP Growth	'04 ██████████ '10	VC Activity	4th	1st
Pop. Growth	'04 ██████████ '10	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- One of the few economies in South-East Europe to avoid recession in 2009
- Assigned B+ credit rating by S&P (in line with Moody's B1 rating) in April 2010, supported by solid growth performance and long-term potential
- The only South-East European economy to have successfully implemented e-Procurement
- Tourism developing into a significant sector: Albania was ranked as number one destination of 2011 by travel guide publisher Lonely Planet
- Highly skilled, flexible and adaptable labor force and also one of the lowest labor costs in the region

### Weaknesses

- One of the poorest economies in Europe
- Real estate property title disputes
- Inadequate infrastructure, although many projects are underway to improve the situation
- Intricate tax system

### Opportunities

- Trade liberalization agreements between EU and Albania
- Gateway to the Balkans Free Trade Area; Albania is part of CEFTA
- EU membership is in progress; member of UN, NATO, WTO and other international organizations
- More flexibility in the international mobility and training of Albanian workforce after visa requirements were abolished in December 2010
- No sector is excluded to foreign investors

### Threats

- Political hostility between Albania's main parties
- High levels of government debt and current account deficit
- Heavy dependence on remittances (about 15% of GDP), especially from slow-growing southern European countries

### Outlook

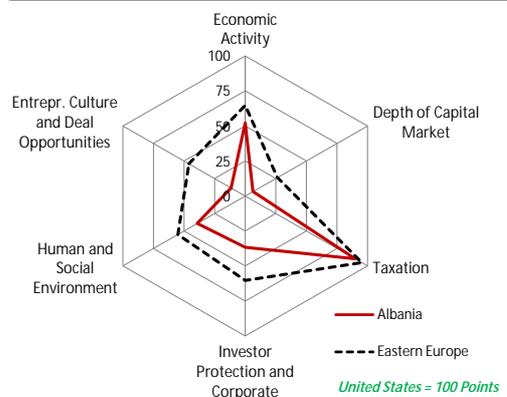
- GDP growth in Albania is estimated to have slowed to 2.8% in 2010, with moderate acceleration toward 4% is expected in the next few years
- Inflation expected to be around 3% over the next few years, in line with the Bank of Albania's target
- Conditions in the VCPE market have improved since 2007, but there is a long way to go, with ranking for 2011 still well below its peers

Dr. Alexandros Karakitis, Ernst & Young  
alexandros.karakitis@al.ey.com

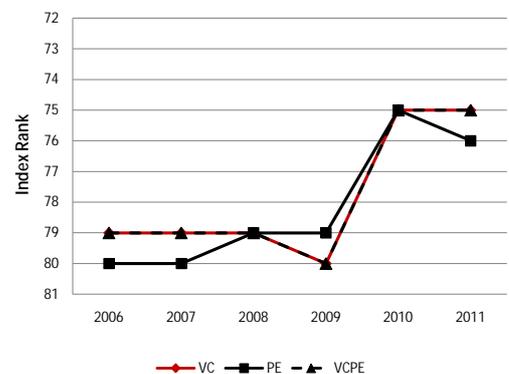
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>79</b>	<b>17,8</b>	<b>75</b>	↑	4th
Economic Activity	71	52,1	70	↑	4th
Depth of Capital Market	79	6,4	79	→	4th
Taxation	55	89,8	65	↓	4th
Inv. Prot./Corp. Gov.	76	36,7	72	↑	4th
Human/Social Env.	75	39,2	63	↑	4th
Entrepr. Cult./Deal Opp.	80	11,5	78	↑	4th

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Lithuania	46	41,3	57	↓	4th
Slovakia	48	39,1	62	↓	4th
Latvia	56	29,4	67	↓	4th
Ukraine	67	27,8	68	↓	4th
Georgia	68	27,2	69	↓	4th
Moldova	71	22,0	72	↓	4th
Macedonia	75	19,3	73	↑	4th
<b>Albania</b>	<b>79</b>	<b>17,8</b>	<b>75</b>	↑	4th
Bosnia-Herzegovina	77	17,3	76	↑	4th

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	74	11,5	74	→	☒	☐
1.2 Medium-Term Real GDP Growth	32	142,0	13	↑	☐	☒
1.3 Unemployment	72	87,1	65	↑	☒	☐

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	78	1,6	78	→	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	78	1,2	78	→	☒	☐
2.3 IPO Market Activity	66	1,0	67	↓	☒	☐
2.4 M&A Market Activity	78	11,7	70	↑	☒	☐
2.5 Debt and Credit Market	72	54,3	61	↑	☒	☐
2.6 Bank Non-Performing Loans to Total Gross Loans	41	75,3	73	↓	☒	☐
2.7 Financial Market Sophistication	79	4,7	79	→	☒	☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	55	89,8	65	↓	☒	☐

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	74	89,1	12	↑	☐	☒
4.2 Security of Property Rights	76	15,0	75	↑	☒	☐
4.3 Quality of Legal Enforcement	73	36,9	69	↑	☒	☐

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	78	34,3	68	↑	☒	☐
5.2 Labor Market Rigidities	34	66,1	37	↓	☐	☒
5.3 Bribing and Corruption	69	26,6	63	↑	☒	☐

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	80	19,9	69	↑	☒	☐
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	☒	☐
6.3 Ease of Starting and Running a Business	51	94,9	28	↑	☐	☒
6.4 Simplicity of Closing a Business	77	15,4	77	→	☒	☐
6.5 Corporate R&D	80	6,8	69	↑	☒	☐

# Algeria

Capital: Algiers ++ Official Language: Arabic (official), French (official), Arabic (national), Tamazight (national) ++ Currency: Algerian Dinar

## Basic Facts



GDP	157 [bn USD]	IPO Volume	
Population	35 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- A strong oil and petroleum industry
- High literacy rates among youth and adults compared to its peers
- Able to export power to Europe due to its proximity

### Weaknesses

- Relative to its North African peers, high cost of imports and exports
- Ranked as a difficult place to do business by the World Bank
- Lack of access to financial services for 70% of the population

### Opportunities

- In addition to the oil and gas sector, companies in the electrical and light industries are emerging as interesting targets for VCPE investment due to their growth potential

### Threats

- Political instability in North Africa

### Outlook

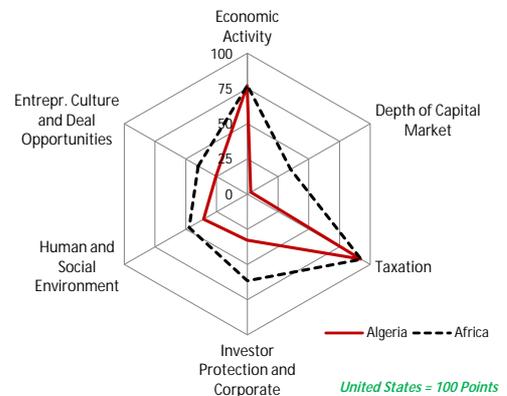
- Potential in mining, now that the recovery of the global economy is on track
- Low economic growth: recovery depends on how the rest of the North African region performs, and could be affected by political developments in the region

Jean-Pierre Letartre, Ernst & Young  
 jean-pierre.letartre@fr.ey.com

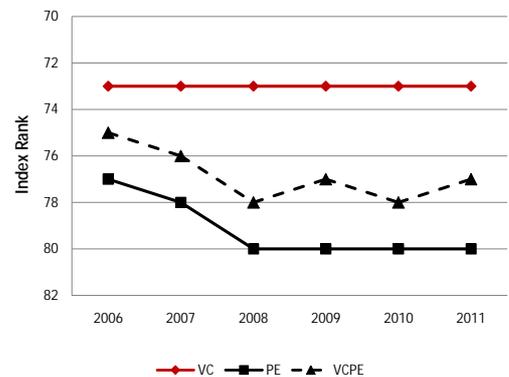
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	76	17,1	77		
Economic Activity	56	77,1	49		
Depth of Capital Market	80	2,9	80		
Taxation	59	92,2	56		
Inv. Prot./Corp. Gov.	73	32,7	73		
Human/Social Env.	66	35,5	70		
Entrepr. Cult./Deal Opp.	71	25,4	70		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
South Africa	24	66,9	26		
Egypt	52	41,8	55		
Morocco	61	41,8	54		
Tunisia	64	41,5	56		
Kenya	69	38,3	63		
Nigeria	66	37,1	64		
Namibia	70	26,4	70		
<b>Algeria</b>	<b>76</b>	<b>17,1</b>	<b>77</b>		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	47	43,5	48	↓	☒	☐
1.2 Medium-Term Real GDP Growth	56	128,4	20	↑	☐	☒
1.3 Unemployment	67	82,2	67	→	☒	☐

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	78	1,6	78	→	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	78	1,2	78	→	☒	☐
2.3 IPO Market Activity	66	1,0	67	↓	☒	☐
2.4 M&A Market Activity	73	1,0	80	↓	☒	☐
2.5 Debt and Credit Market	79	22,4	77	↑	☒	☐
2.6 Bank Non-Performing Loans to Total Gross Loans	76	37,6	76	→	☒	☐
2.7 Financial Market Sophistication	80	1,2	80	→	☒	☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	59	92,2	56	↑	☒	☐

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	76	40,0	68	↑	☒	☐
4.2 Security of Property Rights	68	26,7	71	↓	☒	☐
4.3 Quality of Legal Enforcement	63	32,7	71	↓	☒	☐

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	75	31,2	73	↑	☒	☐
5.2 Labor Market Rigidities	48	57,6	48	→	☒	☐
5.3 Bribing and Corruption	63	24,8	64	↓	☒	☐

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	78	7,6	76	↑	☒	☐
6.2 Scientific and Technical Journal Articles	54	48,4	54	→	☒	☐
6.3 Ease of Starting and Running a Business	63	59,0	70	↓	☒	☐
6.4 Simplicity of Closing a Business	32	76,7	33	↓	☐	☒
6.5 Corporate R&D	73	6,3	73	→	☒	☐

# Argentina

Capital: Buenos Aires ++ Official Language: Spanish ++ Currency: Argentine Peso

## Basic Facts



GDP	344 [bn USD]	IPO Volume	
Population	41 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- Quality of accounting standards, which are generally in line with international standards
- Adoption of IFRS for listed companies scheduled for 2012
- Long history of VCPE

### Weaknesses

- Bureaucracy and lack of strong policy framework
- Complex tax environment: generally moderate corporate taxation but with local and national tax layers to increase the complexity
- Lack of specific framework for fund formation and operation
- Small stock exchange which does not provide significant equity financing
- Slow judicial system to enforce the corporate governance requirements

### Opportunities

- Foreign investment plays a prime role in Argentina's economic development
- Significant support for new investments especially for start-ups and entrepreneurial activity

### Threats

- The state became more interventionist after the crisis and has regained control over a series of businesses (especially relating to public services)
- Renationalization of social security system has restricted institutional investment in VCPE funds
- Complex exchange controls and regulation has been implemented to discourage speculative capital inflows
- High perception of corruption
- High levels of inflation

### Outlook

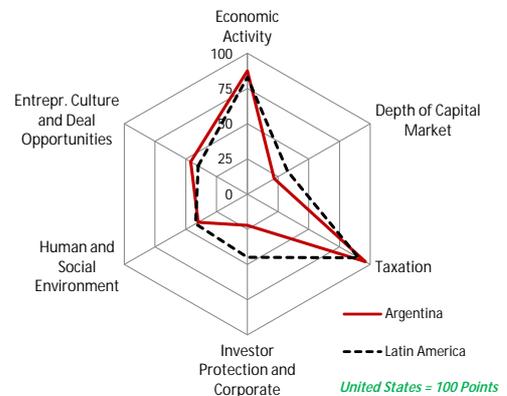
- Argentina's economic performance is vulnerable to international developments due to its dependence on commodities
- Political uncertainty due to Nestor Kirchner's death and the presidential election in 2011
- Inflation is expected to accelerate as the Government will most likely maintain highly expansionary fiscal and monetary policies ahead of the October presidential election
- Despite economic and political uncertainty, PE funds remain active in Argentina

Ernesto San Gil, Ernst & Young  
 ernesto.san-gil@ar.ey.com

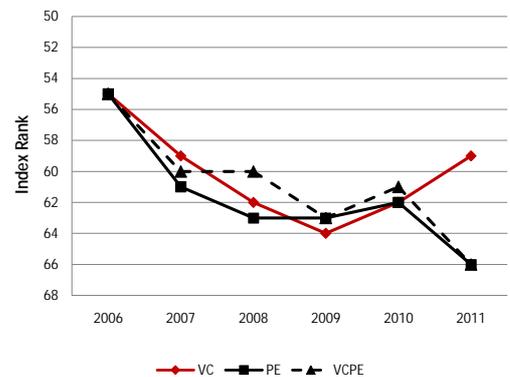
## VCPE-Ranking

	2007 Rank	2011		Quartile	
		Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>60</b>	<b>36,4</b>	<b>66</b>		
Economic Activity	9	87,5	29		
Depth of Capital Market	52	21,9	62		
Taxation	68	95,9	49		
Inv. Prot./Corp. Gov.	77	22,3	77		
Human/Social Env.	73	39,9	59		
Entrepr. Cult./Deal Opp.	44	46,0	45		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007 Rank	2011		Quartile	
		Value	Rank	4th	1st
Chile	30	61,5	29		
Brazil	57	48,7	43		
Mexico	44	48,7	42		
Colombia	49	45,3	47		
Peru	63	41,1	59		
Uruguay	65	36,8	65		
<b>Argentina</b>	<b>60</b>	<b>36,4</b>	<b>66</b>		
Ecuador	74	17,9	74		
Paraguay	80	15,7	78		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	31	53,3	27	↑	■	■
1.2 Medium-Term Real GDP Growth	6	136,0	16	↓	■	■
1.3 Unemployment	62	92,4	61	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	57	34,0	57	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	63	2,7	55	↑	■	■
2.3 IPO Market Activity	43	27,1	46	↓	■	■
2.4 M&A Market Activity	41	49,8	38	↑	■	■
2.5 Debt and Credit Market	63	22,5	76	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	46	102,1	36	↑	■	■
2.7 Financial Market Sophistication	62	8,3	78	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	68	95,9	49	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	60	43,0	67	↓	■	■
4.2 Security of Property Rights	78	11,4	78	→	■	■
4.3 Quality of Legal Enforcement	77	22,5	77	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	65	50,0	47	↑	■	■
5.2 Labor Market Rigidities	77	57,5	49	↑	■	■
5.3 Bribing and Corruption	66	22,1	66	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	64	28,5	57	↑	■	■
6.2 Scientific and Technical Journal Articles	30	66,0	30	→	■	■
6.3 Ease of Starting and Running a Business	65	52,7	74	↓	■	■
6.4 Simplicity of Closing a Business	48	63,9	50	↓	■	■
6.5 Corporate R&D	46	32,6	38	↑	■	■

# Armenia

Capital: Yerevan ++ Official Language: Armenian (official), Russian ++ Currency: Dram

## Basic Facts



GDP	8 [bn USD]	IPO Volume	
Population	3 [mn]	M&A Volume	
GDP Growth	'04 - - - - - '10	VC Activity	
Pop. Growth	'04 - - - - - '10	PE Activity	

## SWOT Analysis

### Strengths

- Government committed to improve country attractiveness for investors (infrastructure development, integration of tax system, strengthening of the financial sector)
- Good progress in privatization
- Resilient banking sector
- WTO membership
- Mineral deposits (copper, uranium, gold, molybdenum)
- High level of literacy (99.7% for males and 99.2% for females)

### Weaknesses

- High level of market monopolization
- Complicated tax administration system which, along with perceived high corruption, leads to high transaction costs
- Borders with neighboring Turkey and Azerbaijan are closed, impeding energy imports and good exports
- Migration of higher skilled workers

### Opportunities

- Authorities have implemented policies that should deepen the capital market
- Good potential for developing small hydro power plants
- Growth of IT market
- Rapid growth in the mobile telecommunications market
- Framework Financing Agreement has been signed between the Republic of Armenia and Asian Development Bank to implement North-South Road Corridor Investment Program. The total cost of the Program over the period 2009 to 2017 is expected to be US\$1,453m equivalent

### Threats

- Political relations with Turkey remain tense
- The economy is vulnerable to economic downturn in Russia, due to its strong dependence on cash remittances from Russia
- Corruption, low level of corporate culture and business ethics may hinder external investments opportunities

### Outlook

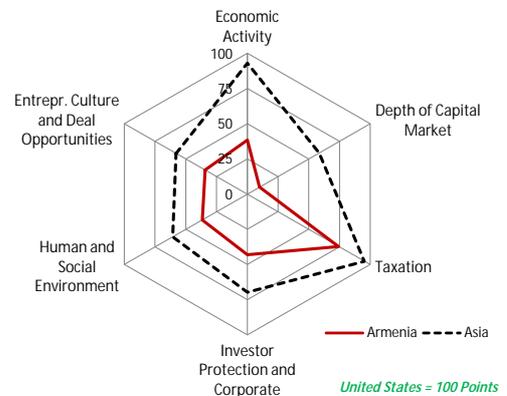
- Inflation is expected to recede gradually (from 8.2% in 2010), remaining between 3%-4% in the medium term
- Armenia suffers from a high current account deficit (29.5% of GDP in 2009), and relies on large inflows to finance it; although the current account deficit is expected to narrow in the medium term, a significant external imbalance will persist unless Armenia achieves a considerable restructuring of the domestic economy

Eric Hayrapetyan, Ernst & Young  
eric.hayrapetyan@am.ey.com

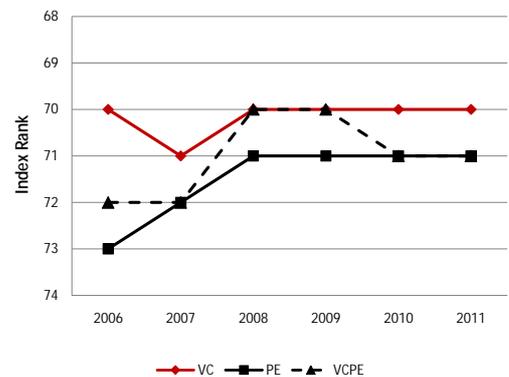
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	72	25,3	71	25,3		
Economic Activity	53	38,3	73	38,3		
Depth of Capital Market	77	9,9	76	9,9		
Taxation	73	74,3	75	74,3		
Inv. Prot./Corp. Gov.	60	43,0	62	43,0		
Human/Social Env.	60	36,7	67	36,7		
Entrepr. Cult./Deal Opp.	67	34,3	60	34,3		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
India	26	61,4	30	61,4		
Thailand	28	59,3	34	59,3		
Russian Federation	37	51,1	41	51,1		
Indonesia	59	45,2	48	45,2		
Vietnam	62	42,2	53	42,2		
Philippines	53	41,2	58	41,2		
Kazakhstan	54	39,1	61	39,1		
<b>Armenia</b>	72	25,3	71	25,3		
Kyrgyzstan	78	14,4	80	14,4		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	77	6,9	78	↓	☒	☐
1.2 Medium-Term Real GDP Growth	2	71,0	75	↓	☒	☐
1.3 Unemployment	42	114,3	26	↑	☐	☒

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	75	12,8	75	→	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	75	1,2	77	↓	☒	☐
2.3 IPO Market Activity	66	1,0	67	↓	☒	☐
2.4 M&A Market Activity	77	15,8	68	↑	☒	☐
2.5 Debt and Credit Market	71	35,8	72	↓	☒	☐
2.6 Bank Non-Performing Loans to Total Gross Loans	34	90,4	57	↓	☐	☒
2.7 Financial Market Sophistication	75	11,8	75	→	☒	☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	73	74,3	75	↓	☒	☐

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	58	39,5	69	↓	☒	☐
4.2 Security of Property Rights	58	50,0	53	↑	☐	☒
4.3 Quality of Legal Enforcement	68	40,1	62	↑	☒	☐

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	66	31,7	72	↓	☒	☐
5.2 Labor Market Rigidities	14	77,6	23	↓	☐	☒
5.3 Bribing and Corruption	68	20,0	69	↓	☒	☐

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	68	27,1	60	↑	☐	☒
6.2 Scientific and Technical Journal Articles	62	43,0	62	→	☒	☐
6.3 Ease of Starting and Running a Business	38	95,0	26	↑	☐	☒
6.4 Simplicity of Closing a Business	28	82,1	26	↑	☐	☒
6.5 Corporate R&D	78	5,2	76	↑	☒	☐

# Australia

Capital: Canberra ++ Official Language: English, native and other languages ++ Currency: Australian Dollar

## Basic Facts



GDP	1193 [bn USD]	IPO Volume	4th	1st
Population	22 [mn]	M&A Volume	4th	1st
GDP Growth	'04 - '10	VC Activity	4th	1st
Pop. Growth	'04 - '10	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- Strong commodity prices driving investment boom
- Democratic and stable political, regulatory and legal environment
- Strong banking and capital market regimes
- Significant number of VCPE investments under management

### Weaknesses

- High interest rate environment
- Heavy reliance on commodity cycle and comparatively high tax rates
- Strong competition from both local and overseas investors

### Opportunities

- Strong stock market culture
- PE exits and maturing secondary market
- M&A market recovering

### Threats

- High AU\$ impacting imports and domestic activity
- Interest rates are biased upward due to expected inflation
- Australian Tax Office (ATO) review of tax arrangements on offshore entities
- Difficult fund-raising environment
- Increasing competition from well-funded corporates

### Outlook

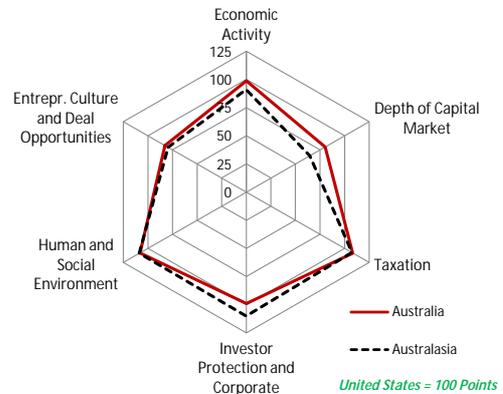
- There will be pressure from LPs to exit investee companies with new fund-raising becoming difficult
- Commodity-led activity will result in a two-speed economy, broadening to strong domestic demand in 2011
- Strong AU\$ and high interest rates will negatively impact global investment allocations

Bryan Zekulich, Ernst & Young  
 bryan.zekulich@au.ey.com

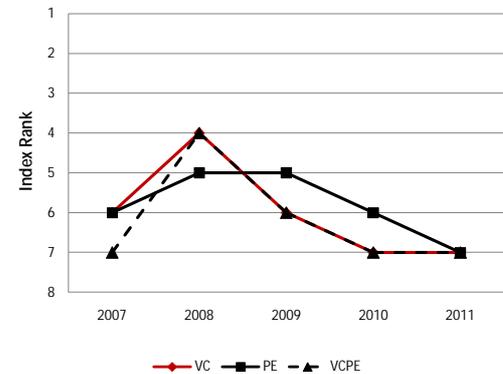
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	7	90,2	7	→	4th
Economic Activity	42	98,7	7	↑	4th
Depth of Capital Market	6	80,2	6	→	4th
Taxation	13	108,2	14	↓	4th
Inv. Prot./Corp. Gov.	11	98,8	10	↑	4th
Human/Social Env.	6	108,0	5	↑	4th
Entrepr. Cult./Deal Opp.	16	82,7	15	↑	4th

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United States	1	100,0	1	→	4th
Singapore	2	92,4	4	↓	4th
United Kingdom	3	93,3	2	↑	4th
Canada	4	93,3	3	↑	4th
Switzerland	5	91,8	5	→	4th
<b>Australia</b>	7	90,2	7	→	4th
Japan	6	90,9	6	→	4th
Sweden	8	85,0	8	→	4th
New Zealand	22	72,5	19	↑	4th

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	15	68,7	13	↑	■	■
1.2 Medium-Term Real GDP Growth	66	120,2	29	↑	■	■
1.3 Unemployment	22	116,5	22	→	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	7	84,0	13	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	15	39,3	18	↓	■	■
2.3 IPO Market Activity	6	74,5	5	↑	■	■
2.4 M&A Market Activity	4	82,3	5	↓	■	■
2.5 Debt and Credit Market	13	90,0	8	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	1	117,2	4	↓	■	■
2.7 Financial Market Sophistication	5	100,0	11	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	13	108,2	14	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	16	79,8	18	↓	■	■
4.2 Security of Property Rights	5	100,9	12	↓	■	■
4.3 Quality of Legal Enforcement	8	119,7	9	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	8	101,9	9	↓	■	■
5.2 Labor Market Rigidities	18	99,3	2	↑	■	■
5.3 Bribing and Corruption	9	124,5	8	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	24	73,7	21	↑	■	■
6.2 Scientific and Technical Journal Articles	11	79,3	11	→	■	■
6.3 Ease of Starting and Running a Business	11	101,8	14	↓	■	■
6.4 Simplicity of Closing a Business	13	102,8	13	→	■	■
6.5 Corporate R&D	18	63,1	17	↑	■	■

# Austria

Capital: Vienna ++ Official Language: German (official nationwide); Slovene, Croatian, Hungarian (each official in one region) ++ Currency: Euro

## Basic Facts



GDP	388 [bn USD]	IPO Volume	4th	1st
Population	8 [mn]	M&A Volume	4th	1st
GDP Growth	'04 - - - - '10	VC Activity	4th	1st
Pop. Growth	'04 ■■■■■ '10	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- Strong economic performance, making it an interesting niche market, with a similar range of companies and industries as Germany, but smaller

### Weaknesses

- Still perceived as a "closed shop," needing a lot of effort for little return in terms of deal flow and transaction size

### Opportunities

- Many hidden champions and family-owned companies with succession problems

### Threats

- Somewhat export oriented, which puts businesses under similar risks as those seen in Germany

### Outlook

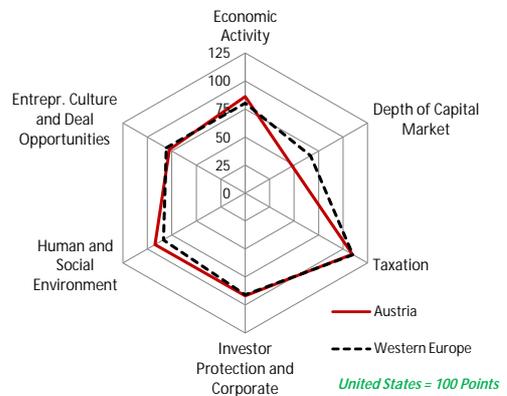
- Austria will remain a niche market, but might be used as base for Eastern European
- Acquisitions, as it offers good resources with the necessary language skills and cultural understanding

Gerhard Schwartz, Ernst & Young  
gerhard.schwartz@at.ey.com

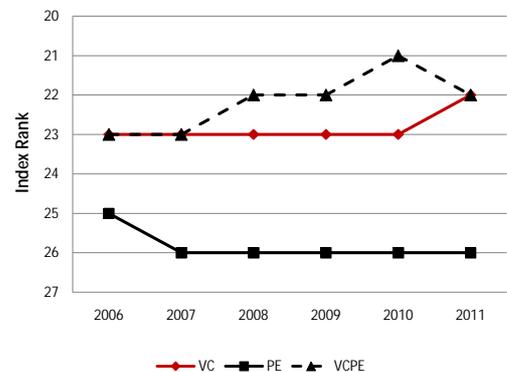
## VCPE-Ranking

	2007 Rank	2011		Quartile	
		Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>23</b>	<b>71,7</b>	<b>22</b>	↑	4th
Economic Activity	58	86,0	31	↑	4th
Depth of Capital Market	28	47,9	33	↓	4th
Taxation	8	109,3	9	↓	4th
Inv. Prot./Corp. Gov.	14	91,7	17	↓	4th
Human/Social Env.	14	92,1	14	→	4th
Entrepr. Cult./Deal Opp.	17	77,4	17	→	4th

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007 Rank	2011		Quartile	
		Value	Rank	4th	1st
France	17	79,6	14	↑	4th
Belgium	18	76,8	15	↑	4th
<b>Austria</b>	<b>23</b>	<b>71,7</b>	<b>22</b>	↑	4th
Spain	20	69,1	23	↓	4th
Ireland	14	67,7	24	↓	4th
Portugal	38	60,4	31	↑	4th
Italy	32	59,6	32	→	4th
Luxembourg	29	59,3	33	↓	4th
Greece	39	47,9	44	↓	4th

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
1.1 Size of the Economy (GDP)	26	54,7	26	→	■	■	■	■	■
1.2 Medium-Term Real GDP Growth	71	95,7	55	↑	■	■	■	■	■
1.3 Unemployment	21	121,4	10	↑	■	■	■	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
2.1 Size of the Stock Market	43	34,6	56	↓	■	■	■	■	■
2.2 Stock Market Liquidity (Trading Volume)	38	10,8	38	→	■	■	■	■	■
2.3 IPO Market Activity	34	36,5	36	↓	■	■	■	■	■
2.4 M&A Market Activity	37	47,7	40	↓	■	■	■	■	■
2.5 Debt and Credit Market	12	85,3	16	↓	■	■	■	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	31	106,9	25	↑	■	■	■	■	■
2.7 Financial Market Sophistication	16	96,5	15	↑	■	■	■	■	■

### 3. Taxation

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
3.1 Tax Incentives and Administrative Burdens	8	109,3	9	↓	■	■	■	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
4.1 Corporate Governance	36	60,0	39	↓	■	■	■	■	■
4.2 Security of Property Rights	4	105,8	8	↓	■	■	■	■	■
4.3 Quality of Legal Enforcement	5	121,2	7	↓	■	■	■	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
5.1 Education and Human Capital	13	90,4	17	↓	■	■	■	■	■
5.2 Labor Market Rigidities	33	74,3	33	→	■	■	■	■	■
5.3 Bribing and Corruption	10	116,3	13	↓	■	■	■	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
6.1 Innovation	14	82,9	16	↓	■	■	■	■	■
6.2 Scientific and Technical Journal Articles	24	69,2	24	→	■	■	■	■	■
6.3 Ease of Starting and Running a Business	24	88,6	43	↓	■	■	■	■	■
6.4 Simplicity of Closing a Business	23	88,3	22	↑	■	■	■	■	■
6.5 Corporate R&D	17	61,7	19	↓	■	■	■	■	■

# Bahrain

Capital: Manama ++ Official Language: Arabic ++ Currency: Bahraini Dinar

## Basic Facts



GDP	23 [bn USD]	IPO Volume	4th	1st
Population	1 [mn]	M&A Volume	4th	1st
GDP Growth	'04 ■■■■■ '10	VC Activity	4th	1st
Pop. Growth	'04 ■■■■■ '10	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- Economic growth rebound back from 3.1% in 2009 to 4.1% in 2010; driven by rising demand for refined oil and aluminum
- More diversified economy than Gulf peers
- A regional financial hub, with a well-developed banking sector and a growing Islamic finance industry

### Weaknesses

- Risk from oil price movements, as exports and services are highly vulnerable to changes in demand in the extremely oil-dependent Gulf sub-region
- Partially transparent public finances, due to the persistence of opaque "extra-budgetary transactions"

### Opportunities

- The Kingdom is a leading force in the development of Islamic finance
- A package of labor market reforms backed by the Economic Development Board should improve productivity and boost growth
- Large-scale investments have created a decent infrastructure, including telecoms and a modern road system between towns

### Threats

- As the dinar is pegged to the US dollar, dollar weakness is leading to imported inflation
- There are high rates of unemployment and poverty among the Shia population
- Due to the recent political unrest, measures of credit risk have increased as investors fret over regional instability

### Outlook

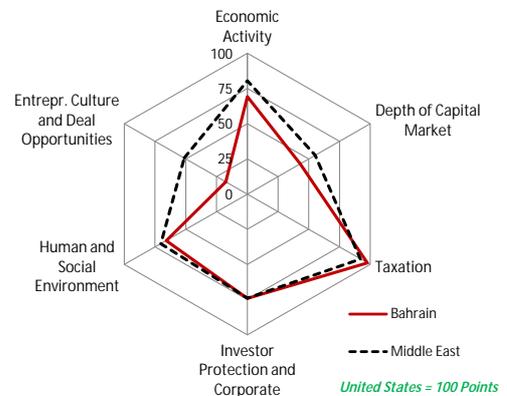
- Inflation should recede for a second consecutive year, despite rising commodity prices

James A. Moye, Ernst & Young  
james.moye@bh.ey.com

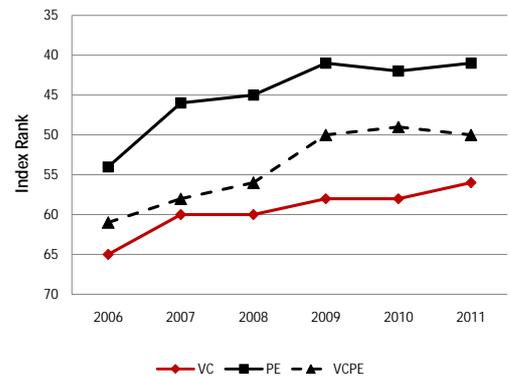
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	58	44,3	50	44,3	↑	4th
Economic Activity	50	69,3	55	69,3	↓	4th
Depth of Capital Market	48	43,0	41	43,0	↑	4th
Taxation	39	97,6	46	97,6	↓	4th
Inv. Prot./Corp. Gov.	31	74,0	27	74,0	↑	4th
Human/Social Env.	29	65,9	28	65,9	↑	4th
Entrepr. Cult./Deal Opp.	73	17,4	72	17,4	↑	4th

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
Israel	19	72,2	21	72,2	↓	4th
Saudi Arabia	36	67,5	25	67,5	↑	4th
United Arab Emirates	33	61,6	28	61,6	↑	4th
Kuwait	40	57,9	35	57,9	↑	4th
Jordan	42	53,2	38	53,2	↑	4th
Oman	51	45,6	46	45,6	↑	4th
<b>Bahrain</b>	58	44,3	50	44,3	↑	4th

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	70	19,7	70	→	✗	✗
1.2 Medium-Term Real GDP Growth	23	140,8	14	↑	✗	✗
1.3 Unemployment	24	120,1	14	↑	✗	✗

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	27	71,9	23	↑	✗	✗
2.2 Stock Market Liquidity (Trading Volume)	47	6,3	44	↑	✗	✗
2.3 IPO Market Activity	56	30,7	42	↑	✗	✗
2.4 M&A Market Activity	69	22,4	64	↑	✗	✗
2.5 Debt and Credit Market	29	89,7	9	↑	✗	✗
2.6 Bank Non-Performing Loans to Total Gross Loans	54	104,5	29	↑	✗	✗
2.7 Financial Market Sophistication	18	92,9	17	↑	✗	✗

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	39	97,6	46	↓	✗	✗

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	37	61,6	36	↑	✗	✗
4.2 Security of Property Rights	29	78,3	26	↑	✗	✗
4.3 Quality of Legal Enforcement	35	83,9	27	↑	✗	✗

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	55	45,8	54	↑	✗	✗
5.2 Labor Market Rigidities	8	90,9	9	↓	✗	✗
5.3 Bribing and Corruption	30	68,5	32	↓	✗	✗

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	57	34,2	49	↑	✗	✗
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	✗	✗
6.3 Ease of Starting and Running a Business	17	81,2	52	↓	✗	✗
6.4 Simplicity of Closing a Business	24	85,3	24	→	✗	✗
6.5 Corporate R&D	70	6,8	69	↑	✗	✗

# Belgium

Capital: Brussels ++ Official Language: Dutch (Flemish), French, German (all official) ++ Currency: Euro

## Basic Facts



GDP	472 [bn USD]	IPO Volume	
Population	11 [mn]	M&A Volume	
GDP Growth	'04 - - - - '10	VC Activity	
Pop. Growth	'04 - - - - '10	PE Activity	

## SWOT Analysis

### Strengths

- Attractive tax system for PE market
- Strong educational system with highly skilled workforce and important R&D activity

### Weaknesses

- Poorly developed capital market compared to its peers

### Opportunities

- Most SMEs are still in private hands
- There is a strong entrepreneurial culture with good deal opportunities

### Outlook

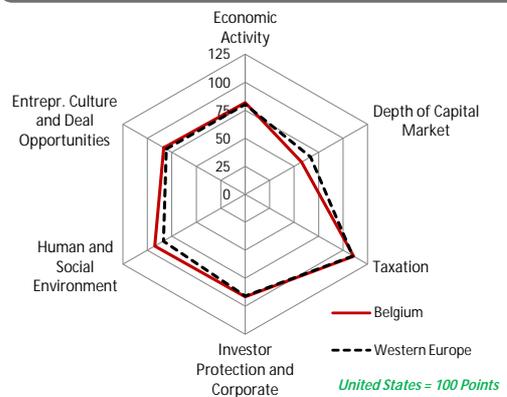
- Belgium is in a good position compared with other countries
- Valuation multiples will increase due to economic recovery in the Netherlands

Marcel van Rijnsouw, Ernst & Young  
marcel.van.rijnsouw@nl.ey.com

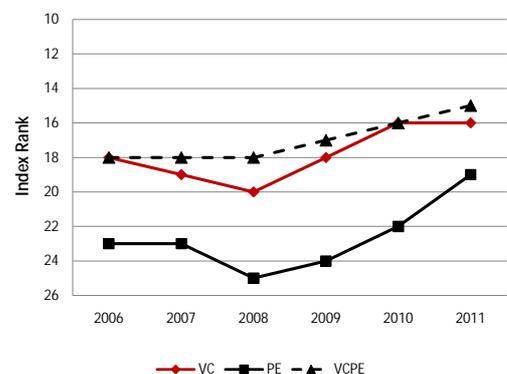
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>18</b>	<b>76,8</b>	<b>15</b>		
Economic Activity	65	81,8	39		
Depth of Capital Market	23	57,5	26		
Taxation	5	110,7	7		
Inv. Prot./Corp. Gov.	15	91,5	18		
Human/Social Env.	13	92,4	13		
Entrepr. Cult./Deal Opp.	14	83,2	14		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
France	17	79,6	14		
<b>Belgium</b>	<b>18</b>	<b>76,8</b>	<b>15</b>		
Austria	23	71,7	22		
Spain	20	69,1	23		
Ireland	14	67,7	24		
Portugal	38	60,4	31		
Italy	32	59,6	32		
Luxembourg	29	59,3	33		
Greece	39	47,9	44		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	18	57,2	21	↓	■	■
1.2 Medium-Term Real GDP Growth	74	93,3	57	↑	■	■
1.3 Unemployment	50	102,7	46	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	28	49,7	39	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	33	17,2	31	↑	■	■
2.3 IPO Market Activity	24	45,0	29	↓	■	■
2.4 M&A Market Activity	26	59,4	22	↑	■	■
2.5 Debt and Credit Market	23	80,7	21	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	26	108,9	21	↑	■	■
2.7 Financial Market Sophistication	16	103,5	8	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	5	110,7	7	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	13	86,4	15	↓	■	■
4.2 Security of Property Rights	18	89,6	21	↓	■	■
4.3 Quality of Legal Enforcement	19	98,8	21	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	3	108,0	5	↓	■	■
5.2 Labor Market Rigidities	29	75,0	29	→	■	■
5.3 Bribing and Corruption	19	97,3	20	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	15	84,9	13	↑	■	■
6.2 Scientific and Technical Journal Articles	20	72,5	20	→	■	■
6.3 Ease of Starting and Running a Business	32	93,6	35	↓	■	■
6.4 Simplicity of Closing a Business	6	110,5	6	→	■	■
6.5 Corporate R&D	16	62,6	18	↓	■	■

# Bosnia-Herzegovina

Capital: Sarajevo ++ Official Language: Bosnian, Croatian, Serbian ++ Currency: Convertible Mark

## Basic Facts



GDP	20 [bn USD]	IPO Volume	4th 1st
Population	4 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Well-capitalized and relatively competitive banking sector
- Fixing the currency to the euro has helped anchor macroeconomic policy
- Relatively flexible labor market

### Weaknesses

- Complicated political and constitutional structure has been a hindrance to reform
- Weak enforcement of the judicial system
- Privatization program has virtually stalled; sale of major companies in the aluminum, construction, telecommunications and trade sectors is necessary to promote competitiveness
- Development of capital markets is at a low level
- Unemployment is persistently high, at over 30%
- Low standard of education (only 67% of children attend secondary education)
- Low levels of innovation (R&D spending is only 0.03% of GDP)

### Opportunities

- Some investment and liberalizations in railways will provide better transport infrastructure
- Strengthening of the deposit insurance scheme will underpin stability in the banking sector
- Some political appetite for moving forward with privatization
- Regional trade liberalization has expanded, leading to increased competition in domestic agricultural markets

### Threats

- The Government has failed to implement fiscal reform
- High costs and low competition may limit capital spending
- Political deadlock could endanger economic recovery
- Structural rigidities have led to a weak investment environment
- Export-driven growth leaves the economy vulnerable to external shocks
- FDI has been diverted to more politically stable neighbors

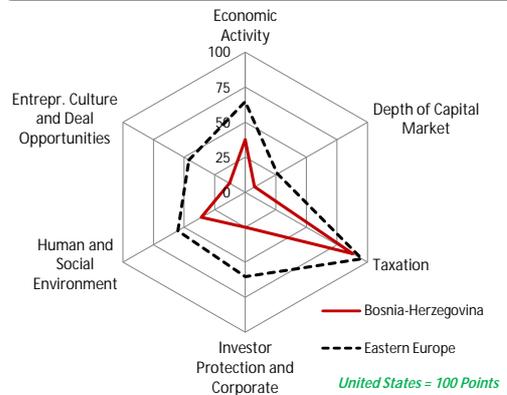
### Outlook

- Political instability, structural rigidities and a large state presence are significant downside risks to forecasts for GDP growth
- The need for key economic and political reforms causes uncertainties in the VCPE environment

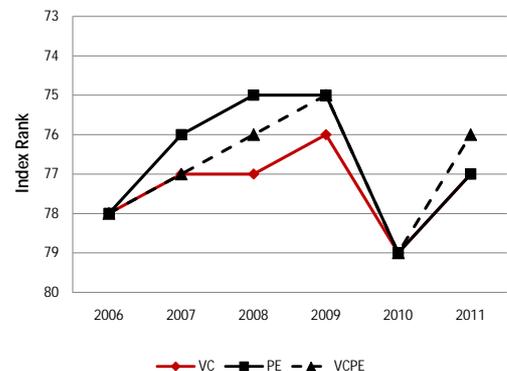
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>77</b>	<b>17,3</b>	<b>76</b>	↑	⊗
Economic Activity	77	37,5	74	↑	⊗
Depth of Capital Market	76	7,6	78	↓	⊗
Taxation	70	88,0	68	↑	⊗
Inv. Prot./Corp. Gov.	74	25,1	76	↓	⊗
Human/Social Env.	68	35,8	69	↓	⊗
Entrepr. Cult./Deal Opp.	77	12,8	76	↑	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Lithuania	46	41,3	57	↓	⊗
Slovakia	48	39,1	62	↓	⊗
Latvia	56	29,4	67	↓	⊗
Ukraine	67	27,8	68	↓	⊗
Georgia	68	27,2	69	↓	⊗
Moldova	71	22,0	72	↓	⊗
Macedonia	75	19,3	73	↑	⊗
Albania	79	17,8	75	↑	⊗
<b>Bosnia-Herzegovina</b>	<b>77</b>	<b>17,3</b>	<b>76</b>	↑	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	72	17,6	71	↑	✗	■ ■ ■ ■
1.2 Medium-Term Real GDP Growth	34	104,6	44	↓	■ ✗ ■ ■	■ ■ ■ ■
1.3 Unemployment	79	28,6	79	→	■ ✗ ■ ■	■ ■ ■ ■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	78	1,6	78	→	■ ✗ ■ ■	■ ■ ■ ■
2.2 Stock Market Liquidity (Trading Volume)	78	1,2	78	→	■ ✗ ■ ■	■ ■ ■ ■
2.3 IPO Market Activity	66	1,0	67	↓	■ ✗ ■ ■	■ ■ ■ ■
2.4 M&A Market Activity	60	9,2	73	↓	■ ✗ ■ ■	■ ■ ■ ■
2.5 Debt and Credit Market	55	54,9	59	↓	■ ✗ ■ ■	■ ■ ■ ■
2.6 Bank Non-Performing Loans to Total Gross Loans	52	99,3	41	↑	■ ✗ ■ ■	■ ■ ■ ■
2.7 Financial Market Sophistication	77	15,3	74	↑	■ ✗ ■ ■	■ ■ ■ ■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	70	88,0	68	↑	■ ✗ ■ ■	■ ■ ■ ■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	62	44,2	66	↓	■ ✗ ■ ■	■ ■ ■ ■
4.2 Security of Property Rights	77	13,8	77	→	■ ✗ ■ ■	■ ■ ■ ■
4.3 Quality of Legal Enforcement	72	26,1	74	↓	■ ✗ ■ ■	■ ■ ■ ■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	74	33,4	71	↑	■ ✗ ■ ■	■ ■ ■ ■
5.2 Labor Market Rigidities	41	63,8	39	↑	■ ■ ✗ ■	■ ■ ■ ■
5.3 Bribing and Corruption	65	21,6	68	↓	■ ✗ ■ ■	■ ■ ■ ■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	76	11,2	74	↑	■ ✗ ■ ■	■ ■ ■ ■
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	■ ✗ ■ ■	■ ■ ■ ■
6.3 Ease of Starting and Running a Business	67	57,3	71	↓	■ ✗ ■ ■	■ ■ ■ ■
6.4 Simplicity of Closing a Business	45	67,2	41	↑	■ ■ ✗ ■	■ ■ ■ ■
6.5 Corporate R&D	76	7,9	68	↑	■ ✗ ■ ■	■ ■ ■ ■

# Brazil

Capital: Brasilia ++ Official Language: Portuguese ++ Currency: Brazilian Real

## Basic Facts



GDP	1910 [bn USD]	IPO Volume	4th 1st
Population	195 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 ■■■■■■■■ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Around one-third of all M&A transactions involving PE in 2010
- Global mega funds starting operations in 2010
- PE-backed IPOs accounting for almost 30% of all IPOs in the boom years of 2006 and 2007
- Low impact of recent presidential elections on economic prospects

### Weaknesses

- VCPE is still in its infancy in Brazil and not well known in the market
- Limited debt and credit market hindering leveraged buyout activity
- More difficult and lengthy due diligence process compared with more mature economies
- PE deals dominated by relatively small transactions (average deal size of US\$30m-US\$60m)

### Opportunities

- Economy growing at an average 5% (almost 8% in 2010) with significant increase in the number of middle-class families rising from low income in the last 5 to 10 years
- Highly fragmented market in many sectors, with consolidation opportunities
- Interest rates being reduced gradually, increasing the need for investments in alternative asset classes by local pension funds and other institutional investors
- Low penetration of VCPE investment in the economy compared with more mature economies
- High demand for infrastructure investments, including for the 2014 World Cup and 2016 Summer Olympics to be held in Brazil

### Threats

- Complex and bureaucratic tax and labor regulatory environment
- A more active local capital market is giving local entrepreneurs more choice, and increasing competition for PE companies
- Remaining uncertainties and risks with respect to inflation and exchange rate fluctuations
- Higher competition for deals in certain industries has increased asset prices

### Outlook

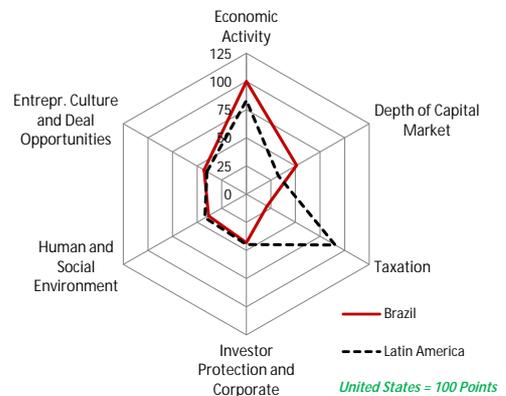
- It is perceived that PE backing has a positive impact on the management, financial and corporate governance restructure of Brazilian portfolio companies
- PE-backed IPOs tend to outperform those with no PE sponsors

Carlos R. Asciutti, Ernst & Young  
 carlos.asciutti@br.ey.com

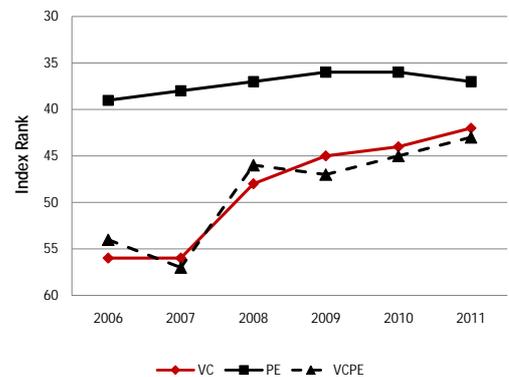
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	57	48,7	43	↑	■
Economic Activity	27	100,1	4	↑	■
Depth of Capital Market	34	51,2	31	↑	■
Taxation	79	21,1	79	→	■
Inv. Prot./Corp. Gov.	58	43,1	61	↓	■
Human/Social Env.	63	38,5	64	↓	■
Entrepr. Cult./Deal Opp.	70	43,0	50	↑	■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Chile	30	61,5	29	↑	■
<b>Brazil</b>	57	48,7	43	↑	■
Mexico	44	48,7	42	↑	■
Colombia	49	45,3	47	↑	■
Peru	63	41,1	59	↑	■
Uruguay	65	36,8	65	→	■
Argentina	60	36,4	66	↓	■
Ecuador	74	17,9	74	→	■
Paraguay	80	15,7	78	↑	■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	10	74,6	8	↑	■	■
1.2 Medium-Term Real GDP Growth	54	133,4	17	↑	■	■
1.3 Unemployment	52	100,9	50	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	34	57,1	34	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	39	18,8	28	↑	■	■
2.3 IPO Market Activity	21	62,0	13	↑	■	■
2.4 M&A Market Activity	19	70,5	14	↑	■	■
2.5 Debt and Credit Market	69	23,1	75	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	48	99,3	41	↑	■	■
2.7 Financial Market Sophistication	18	85,9	20	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	79	21,1	79	→	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	56	44,9	63	↓	■	■
4.2 Security of Property Rights	57	48,2	54	↑	■	■
4.3 Quality of Legal Enforcement	64	36,9	68	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	63	46,8	50	↑	■	■
5.2 Labor Market Rigidities	70	31,6	73	↓	■	■
5.3 Bribing and Corruption	54	38,7	54	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	32	41,5	38	↓	■	■
6.2 Scientific and Technical Journal Articles	16	75,5	16	→	■	■
6.3 Ease of Starting and Running a Business	80	20,7	79	↑	■	■
6.4 Simplicity of Closing a Business	80	47,9	65	↑	■	■
6.5 Corporate R&D	29	47,3	27	↑	■	■

# Bulgaria

Capital: Sofia ++ Official Language: Bulgarian, Turkish, Roma ++ Currency: Bulgarian Lev

## Basic Facts



GDP	51 [bn USD]	IPO Volume	4th 1st
Population	7 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - - - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Macroeconomic stability
- Excellent tax environment
- Cost advantage
- Increasing number of investment opportunities

### Weaknesses

- Fragile and underdeveloped M&A market
- Relatively small deal size
- Below standard quality of target information
- Restricted bank financing to corporates

### Opportunities

- Emerging market with high growth potential
- Significant growth opportunities in the service sector
- EU funding (including grants) available for a number of sectors

### Threats

- Slow recovery from the downturn
- Small market
- Government policies

### Outlook

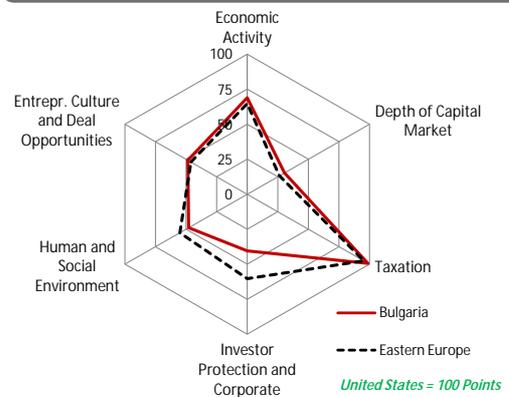
- The VCPE market in Bulgaria is still recovering from the crisis, with activity lagging behind other Central Eastern Europe markets
- Opportunities are expected to arise from smaller size deals and niche segments
- Labor-intensive industries continue to offer cost advantages

Diana Nikolaeva, Ernst & Young  
diana.nikolaeva@bg.ey.com

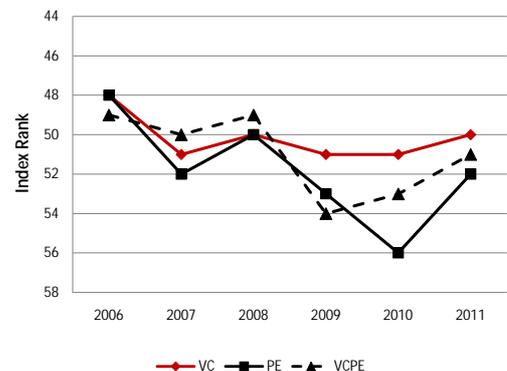
## VCPE-Ranking

	2007 Rank	2011		Quartile	
		Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>50</b>	<b>44,1</b>	<b>51</b>	↓	4th
Economic Activity	41	68,8	57	↓	4th
Depth of Capital Market	51	30,4	54	↓	4th
Taxation	47	98,7	44	↑	3rd
Inv. Prot./Corp. Gov.	57	40,5	64	↓	4th
Human/Social Env.	47	47,9	53	↓	4th
Entrepr. Cult./Deal Opp.	49	48,6	41	↑	3rd

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007 Rank	2011		Quartile	
		Value	Rank	4th	1st
Turkey	31	52,8	39	↓	4th
Hungary	43	52,0	40	↑	3rd
Slovenia	45	46,8	45	→	4th
Estonia	41	44,8	49	↓	4th
<b>Bulgaria</b>	<b>50</b>	<b>44,1</b>	<b>51</b>	↓	4th
Croatia	55	43,4	52	↑	3rd
Romania	47	41,0	60	↓	4th
Lithuania	46	41,3	57	↓	4th
Slovakia	48	39,1	62	↓	4th

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	63	29,4	61	↑	■	■
1.2 Medium-Term Real GDP Growth	28	100,3	48	↓	■	■
1.3 Unemployment	55	110,3	34	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	53	39,8	48	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	55	2,4	59	↓	■	■
2.3 IPO Market Activity	48	25,4	48	→	■	■
2.4 M&A Market Activity	45	42,5	48	↓	■	■
2.5 Debt and Credit Market	43	66,6	37	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	32	104,1	30	↑	■	■
2.7 Financial Market Sophistication	70	33,0	64	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	47	98,7	44	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	41	50,8	54	↓	■	■
4.2 Security of Property Rights	66	32,9	70	↓	■	■
4.3 Quality of Legal Enforcement	58	39,7	63	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	61	44,8	55	↑	■	■
5.2 Labor Market Rigidities	32	74,6	32	→	■	■
5.3 Bribing and Corruption	49	32,9	62	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	70	30,3	55	↑	■	■
6.2 Scientific and Technical Journal Articles	44	54,7	44	→	■	■
6.3 Ease of Starting and Running a Business	45	94,8	29	↑	■	■
6.4 Simplicity of Closing a Business	44	64,8	48	↓	■	■
6.5 Corporate R&D	55	26,7	48	↑	■	■

# Canada

Capital: Ottawa ++ Official Language: English, French (both official); other ++ Currency: Canadian Dollar

## Basic Facts



GDP	1556 [bn USD]	IPO Volume	4th 1st
Population	34 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 ■■■■■ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Well-regulated banking sector which underpins financial stability
- Rapid economic growth since the recession, rising by an estimated 2.9% in 2010
- Small budget deficits (4%) compared with most developed countries
- Net exporter of energy
- Well-run legal system, similar to that of the US
- High standards of education with a well-educated workforce

### Weaknesses

- Loss of competitiveness vis-à-vis the US, due to an appreciation of currency and slower productivity growth
- Less mature VCPE market than in the US
- Close integration with US capital markets, leaving Canadian markets vulnerable to shocks
- Relatively length and costly enforcement of contracts

### Opportunities

- High energy prices create investment opportunities in the Alberta Oil Sands
- Liberal immigration laws will help counteract the adverse effects of an aging population
- Underserved PE market relative to that of the US (5% of GDP in Canada vs. 7% in the US) suggests it has potential to grow
- Proximity to the US gives Canada access to the largest VCPE market in the world

### Threats

- Household debt is high (about 90% of GDP), suggesting low consumer spending
- There is potential weakening in the housing market
- The slowdown in the US economy is leading to decreased demand for Canadian exports
- A dramatic fall in energy prices makes extraction of oil from tar sands unprofitable

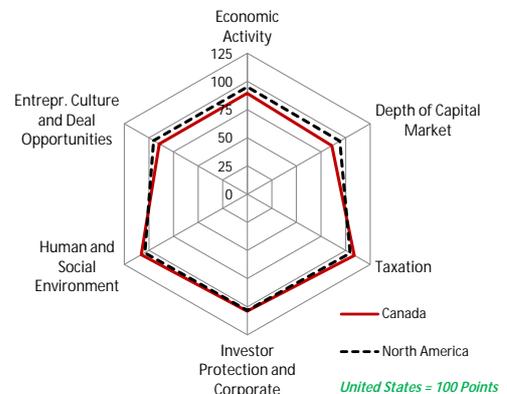
### Outlook

- Although GDP growth is forecast to slow in 2011, to 2.4%, Canada's medium-term growth prospects look solid
- Rapid business sector investment in 2011-12 will result in trend growth of about 3%

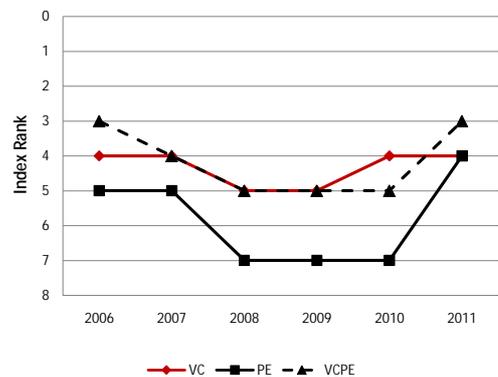
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	4	93,3	3	↑	■ ■ ■ ■
Economic Activity	45	89,4	24	↑	■ ■ ■ ■
Depth of Capital Market	5	86,0	5	→	■ ■ ■ ■
Taxation	14	108,8	11	↑	■ ■ ■ ■
Inv. Prot./Corp. Gov.	10	103,8	7	↑	■ ■ ■ ■
Human/Social Env.	4	107,7	6	↓	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	7	89,3	8	↓	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United States	1	100,0	1	→	■ ■ ■ ■
Singapore	2	92,4	4	↓	■ ■ ■ ■
United Kingdom	3	93,3	2	↑	■ ■ ■ ■
<b>Canada</b>	4	93,3	3	↑	■ ■ ■ ■
Switzerland	5	91,8	5	→	■ ■ ■ ■
Australia	7	90,2	7	→	■ ■ ■ ■
Japan	6	90,9	6	→	■ ■ ■ ■
Sweden	8	85,0	8	→	■ ■ ■ ■
Netherlands	10	84,3	9	↑	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	8	72,0	9	↓	■	■
1.2 Medium-Term Real GDP Growth	67	99,3	52	↑	■	■
1.3 Unemployment	30	100,0	53	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	8	87,7	9	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	18	46,0	15	↑	■	■
2.3 IPO Market Activity	2	83,0	3	↓	■	■
2.4 M&A Market Activity	5	83,5	4	↑	■	■
2.5 Debt and Credit Market	3	96,6	4	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	8	113,0	13	↓	■	■
2.7 Financial Market Sophistication	5	114,1	2	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	14	108,8	11	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	10	101,1	7	↑	■	■
4.2 Security of Property Rights	21	91,5	19	↑	■	■
4.3 Quality of Legal Enforcement	9	121,0	8	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	5	111,1	3	↑	■	■
5.2 Labor Market Rigidities	6	91,4	7	↓	■	■
5.3 Bribing and Corruption	12	122,9	9	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	17	80,2	17	→	■	■
6.2 Scientific and Technical Journal Articles	7	83,2	7	→	■	■
6.3 Ease of Starting and Running a Business	4	109,7	6	↓	■	■
6.4 Simplicity of Closing a Business	4	112,1	4	→	■	■
6.5 Corporate R&D	14	69,1	15	↓	■	■

# Chile

Capital: Santiago ++ Official Language: Spanish ++ Currency: Chilean Peso

## Basic Facts



GDP	197 [bn USD]	IPO Volume	
Population	17 [mn]	M&A Volume	
GDP Growth	'04 - '10	VC Activity	
Pop. Growth	'04 - '10	PE Activity	

## SWOT Analysis

### Strengths

- Strong and developed capital market
- Good GDP growth (despite the impact of natural disasters, such as earthquakes)
- Laws on VCPE funds formation and operation, and regulations to stimulate the VCPE industry
- Low levels of corruption: ranked 21 of 178 countries in Transparency International's 2010 Corruption Perceptions Index
- Considerable entrepreneurial dynamism
- Transparent and clearly defined legislation concerning foreign investment: foreign investors enjoy the same rights as nationals and are able to operate in all but a few restricted areas
- Simplified procedures to obtain the Chilean tax identification number required for inward investments
- Recently strengthened corporate governance laws
- Mandatory IFRS application for listed companies

### Weaknesses

- Double taxation for foreign investors from most countries, with a complex tax environment
- Slow judicial system: court proceedings can be subject to long delays, and high costs remain a barrier to pursuing legal actions
- Low levels of market capitalization, in addition to high costs of meeting listing requirements, limiting accessibility of IPOs for the majority of SMEs

### Opportunities

- Pension funds and insurance companies are an important source of long-term financing and are allowed to invest in VCPE funds. However, these investments are limited to a small percentage of their assets

### Threats

- A certain level of legal protection for property rights, although enforcement has been questioned
- The cost of protecting trademarks and patents is high, and the country remains on the US Special 301 Watch List for intellectual property violations

### Outlook

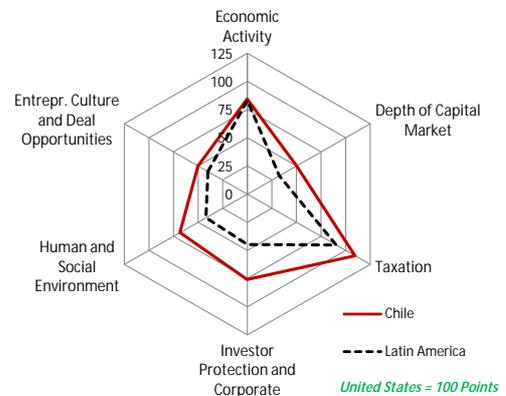
- Chile has a well-developed and experienced VCPE industry
- Chile's environment is characterized by a positive attitude toward foreign investment, good infrastructural quality and a relatively liberal labor market

Christian Lefevre, Ernst & Young  
 cristian.lefevre@cl.ey.com

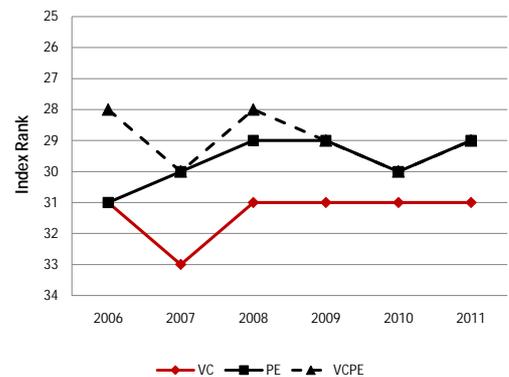
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	30	61,5	29		
Economic Activity	29	84,6	36		
Depth of Capital Market	38	50,1	32		
Taxation	7	109,5	8		
Inv. Prot./Corp. Gov.	28	75,9	26		
Human/Social Env.	25	68,4	25		
Entrepr. Cult./Deal Opp.	33	50,0	37		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Chile	30	61,5	29		
Brazil	57	48,7	43		
Mexico	44	48,7	42		
Colombia	49	45,3	47		
Peru	63	41,1	59		
Uruguay	65	36,8	65		
Argentina	60	36,4	66		
Ecuador	74	17,9	74		
Paraguay	80	15,7	78		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	40	46,3	43	↓	■	■
1.2 Medium-Term Real GDP Growth	38	120,6	27	↑	■	■
1.3 Unemployment	29	108,5	35	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	21	77,2	20	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	42	9,4	41	↑	■	■
2.3 IPO Market Activity	58	24,7	50	↑	■	■
2.4 M&A Market Activity	38	51,8	34	↑	■	■
2.5 Debt and Credit Market	24	80,3	23	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	11	113,7	10	↑	■	■
2.7 Financial Market Sophistication	22	92,9	17	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	7	109,5	8	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	25	66,0	32	↓	■	■
4.2 Security of Property Rights	40	65,7	39	↑	■	■
4.3 Quality of Legal Enforcement	22	100,6	18	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	59	45,9	53	↑	■	■
5.2 Labor Market Rigidities	23	74,9	31	↓	■	■
5.3 Bribing and Corruption	20	93,2	21	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	39	38,2	45	↓	■	■
6.2 Scientific and Technical Journal Articles	38	60,5	38	→	■	■
6.3 Ease of Starting and Running a Business	25	90,7	39	↓	■	■
6.4 Simplicity of Closing a Business	63	46,8	66	↓	■	■
6.5 Corporate R&D	40	32,0	39	↑	■	■

# China

Capital: Beijing ++ Official Language: Standard Mandarin Chinese ++ Currency: Chinese Yuan (Renminbi)

## Basic Facts



GDP	5365 [bn USD]	IPO Volume	4th 1st
Population	1334 [mn]	M&A Volume	4th 1st
GDP Growth	'04 ██████████ '10	VC Activity	4th 1st
Pop. Growth	'04 ██████████ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Strong and stable GDP growth over the medium term
- Large pool of potential PE investments and price-to-earnings ratios at IPOs tend to be at least twice as high as in the US and Hong Kong
- Fast-growing middle class with high savings will drive demand for consumer and financial goods
- Urbanization to second and third tier cities provides growth opportunities and plentiful supply of low-cost labor

### Weaknesses

- The success of the large Government-led stimulus package is progressing to the stage of interest rate and bank regulatory capital increases being applied to keep inflation in check
- Intellectual property rights remain a focus despite a certain level of improvement in the situation
- Approval times for domestic IPOs vary, with some proceeding at an expected pace, while a few can take several years

### Opportunities

- China has the ability to get ahead of developed economies in the adoption of green technologies
- Greater provision of a range of financial instruments for consumers and corporates will be a necessary part of financial sector reform for China over the next 10 years

### Threats

- An oversupply in some segments of the property market may render it vulnerable to asset price volatility
- Certain regulatory approvals can take some time, relying on local knowledge such as the process for IPO approval

### Outlook

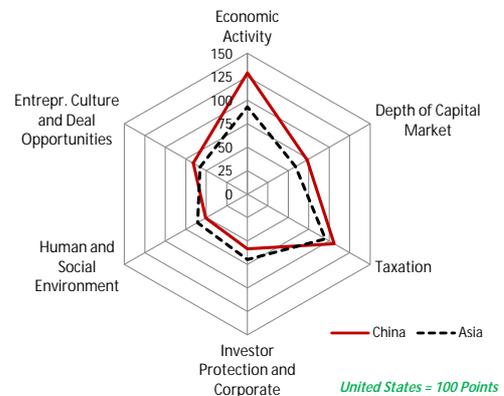
- Real GDP growth is expected to average 8% over the next 10 years
- There is a large amount of state-controlled sources for PE firms, including 5% of domestic insurance companies' assets and the National Social Security Fund, which manages China's pension resources and represents the world's largest pool of investment capital for PE

Lawrence Lau, Ernst & Young  
lawrence.lau@cn.ey.com

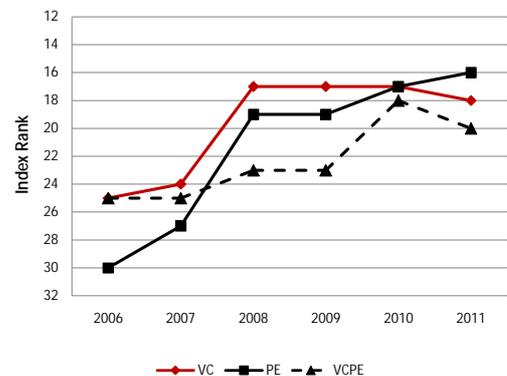
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	25	72,3	20	↑	4th 1st
Economic Activity	1	129,2	1	→	4th 1st
Depth of Capital Market	25	72,8	12	↑	4th 1st
Taxation	56	105,8	21	↑	4th 1st
Inv. Prot./Corp. Gov.	56	58,3	48	↑	4th 1st
Human/Social Env.	50	50,9	48	↑	4th 1st
Entrepr. Cult./Deal Opp.	24	66,0	23	↑	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Singapore	2	92,4	4	↓	4th 1st
Japan	6	90,9	6	→	4th 1st
Hong Kong	15	76,5	16	↓	4th 1st
Korea, South	11	75,7	17	↓	4th 1st
<b>China</b>	25	72,3	20	↑	4th 1st
Malaysia	21	72,5	18	↑	4th 1st
Taiwan	27	62,4	27	→	4th 1st
India	26	61,4	30	↓	4th 1st
Thailand	28	59,3	34	↓	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	4	87,4	2	↑	■	■
1.2 Medium-Term Real GDP Growth	3	197,3	1	↑	■	■
1.3 Unemployment	15	125,0	7	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	18	82,1	15	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	25	49,5	13	↑	■	■
2.3 IPO Market Activity	4	86,5	2	↑	■	■
2.4 M&A Market Activity	7	79,1	6	↑	■	■
2.5 Debt and Credit Market	52	73,8	27	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	65	104,1	30	↑	■	■
2.7 Financial Market Sophistication	61	50,6	53	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	56	105,8	21	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	70	46,7	61	↑	■	■
4.2 Security of Property Rights	42	72,0	37	↑	■	■
4.3 Quality of Legal Enforcement	55	59,0	51	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	35	65,2	35	→	■	■
5.2 Labor Market Rigidities	47	52,4	58	↓	■	■
5.3 Bribing and Corruption	61	38,6	55	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	26	55,6	29	↓	■	■
6.2 Scientific and Technical Journal Articles	5	87,1	5	→	■	■
6.3 Ease of Starting and Running a Business	72	63,1	69	↑	■	■
6.4 Simplicity of Closing a Business	57	63,8	51	↑	■	■
6.5 Corporate R&D	19	64,1	16	↑	■	■

# Colombia

Capital: Bogota ++ Official Language: Spanish ++ Currency: Colombian Peso

## Basic Facts



GDP	267 [bn USD]	IPO Volume	
Population	46 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- Consolidation of the regulatory structure in the last two years, including reporting requirements for investors, and providing a secondary market for liquidity and a framework for formation and operation of VCPE
- Improvement of capital market development compared with previous periods
- VCPE foreign investment funds not subject to income tax
- Improvement of corporate governance standards for listed companies
- Low restrictions for foreign investments in new ventures, acquisitions or expansions
- Low barriers to participation by pension funds and institutional investors in VCPE funds

### Weaknesses

- Undersized stock market with a small number of firms listed and limited activity; thus, IPOs are not viable exit options
- Bankruptcy laws in place but poorly enforced
- Significant gaps compared with international accounting standards
- Lack of investment in physical infrastructure
- New and inexperienced VCPE industry

### Opportunities

- VCPE investments have significantly increased since 2008
- A reduction of restrictions will now allow further participation of pension funds in PE/VC activities
- Government support of entrepreneurship and business creation

### Threats

- High perception of corruption and weak judicial system
- Security still remains a concern (specially in some rural areas)

### Outlook

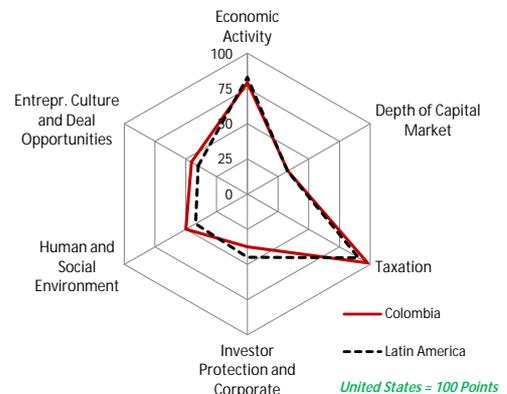
- The upward trend in FDI will remain in 2011 as the Government considers this to be one of the main engines of economic growth for the coming years
- Colombia is likely to receive an investment grade status during Q2 of 2011
- Inflation is likely to remain under control and at historically low levels

Luz María Jaramillo, Ernst & Young  
Luz.Jaramillo@co.ey.com

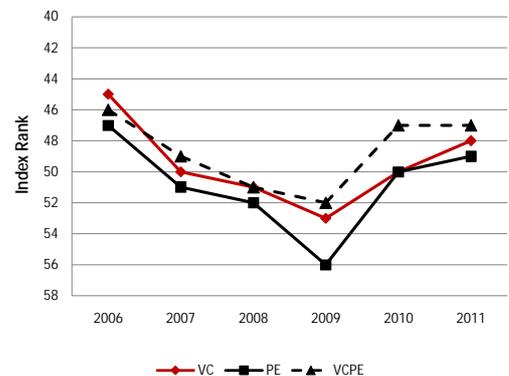
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	49	45,3	47		
Economic Activity	32	79,2	42		
Depth of Capital Market	49	33,0	51		
Taxation	69	97,8	45		
Inv. Prot./Corp. Gov.	71	37,5	71		
Human/Social Env.	44	50,0	50		
Entrepr. Cult./Deal Opp.	43	45,5	46		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Chile	30	61,5	29		
Brazil	57	48,7	43		
Mexico	44	48,7	42		
<b>Colombia</b>	49	45,3	47		
Peru	63	41,1	59		
Uruguay	65	36,8	65		
Argentina	60	36,4	66		
Ecuador	74	17,9	74		
Paraguay	80	15,7	78		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	38	50,1	33	↑	■	■
1.2 Medium-Term Real GDP Growth	31	113,4	37	↓	■	■
1.3 Unemployment	68	87,5	63	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	58	48,6	40	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	50	3,1	51	↓	■	■
2.3 IPO Market Activity	51	17,0	58	↓	■	■
2.4 M&A Market Activity	43	48,5	39	↑	■	■
2.5 Debt and Credit Market	46	59,3	51	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	37	93,1	54	↓	■	■
2.7 Financial Market Sophistication	55	61,2	45	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	69	97,8	45	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	38	82,8	16	↑	■	■
4.2 Security of Property Rights	72	26,0	72	→	■	■
4.3 Quality of Legal Enforcement	74	24,5	76	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	49	43,7	56	↓	■	■
5.2 Labor Market Rigidities	24	77,0	24	→	■	■
5.3 Bribing and Corruption	51	37,2	56	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	49	23,8	62	↓	■	■
6.2 Scientific and Technical Journal Articles	52	49,5	52	→	■	■
6.3 Ease of Starting and Running a Business	57	81,5	51	↑	■	■
6.4 Simplicity of Closing a Business	20	83,9	25	↓	■	■
6.5 Corporate R&D	52	24,2	50	↑	■	■

# Croatia

Capital: Zagreb ++ Official Language: Croatian ++ Currency: Croatian Kuna

## Basic Facts



GDP	64 [bn USD]	IPO Volume	4th	1st
Population	4 [mn]	M&A Volume	4th	1st
GDP Growth	'04 - - - - '10	VC Activity	4th	1st
Pop. Growth	'04 - - - - '10	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- Significant demand for all types of financing
- Government strategy for innovations (BICRO and CRANE)

### Weaknesses

- VCPE market is in an initial phase of development
- Limited number of large potential investments
- Legal and business conditions do not support a dynamic SME sector, due to lack of simple licensing and registration processes, and barriers for investments

### Opportunities

- Traditional bank loans are more expensive and less easily available
- Growth potential in companies that are active in Croatia and neighboring countries
- Untapped midsize market

### Threats

- Cultural structure does not contribute to the development of entrepreneurship
- Reduced availability of debt financing and general illiquidity

### Outlook

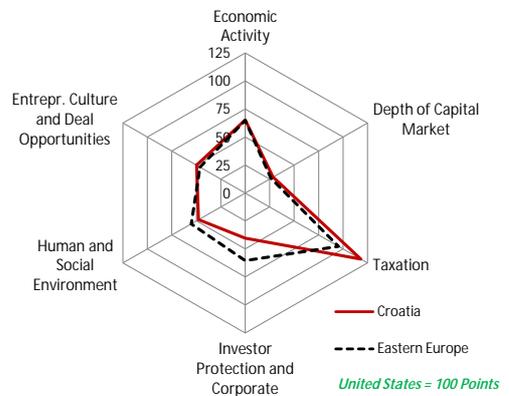
- The Croatian market is traditionally bank oriented, and reduced access to bank loans for SMEs is expected to provide a platform for more VCPE activities
- Hidden values are expected to be increasingly tapped by VCPE in the near future

Balazs Tuske, Ernst & Young  
balazs.tuske@hu.ey.com

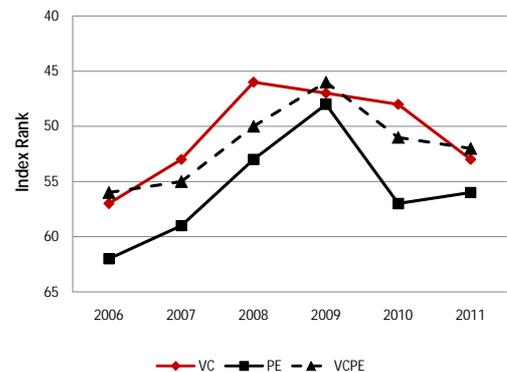
## VCPE-Ranking

	2007	2011	Quartile	
	Rank	Value	Rank	4th 1st
<b>VCPE Ranking</b>	55	43,4	52	↑ [X] [ ] [ ] [ ]
Economic Activity	60	65,1	60	→ [X] [ ] [ ] [ ]
Depth of Capital Market	60	28,4	55	↑ [X] [ ] [ ] [ ]
Taxation	4	118,0	2	↑ [X] [ ] [ ] [ ]
Inv. Prot./Corp. Gov.	53	40,4	66	↓ [X] [ ] [ ] [ ]
Human/Social Env.	51	47,7	54	↓ [X] [ ] [ ] [ ]
Entrepr. Cult./Deal Opp.	35	49,5	38	↓ [X] [ ] [ ] [ ]

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011	Quartile	
	Rank	Value	Rank	4th 1st
Hungary	43	52,0	40	↑ [X] [ ] [ ] [ ]
Slovenia	45	46,8	45	→ [X] [ ] [ ] [ ]
Estonia	41	44,8	49	↓ [X] [ ] [ ] [ ]
Bulgaria	50	44,1	51	↓ [X] [ ] [ ] [ ]
<b>Croatia</b>	55	43,4	52	↑ [X] [ ] [ ] [ ]
Romania	47	41,0	60	↓ [X] [ ] [ ] [ ]
Lithuania	46	41,3	57	↓ [X] [ ] [ ] [ ]
Slovakia	48	39,1	62	↓ [X] [ ] [ ] [ ]
Latvia	56	29,4	67	↓ [X] [ ] [ ] [ ]

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	58	32,3	58	→	■	■
1.2 Medium-Term Real GDP Growth	53	84,3	68	↓	■	■
1.3 Unemployment	66	101,3	48	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	41	57,3	32	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	57	3,1	52	↑	■	■
2.3 IPO Market Activity	61	19,0	55	↑	■	■
2.4 M&A Market Activity	54	22,6	63	↓	■	■
2.5 Debt and Credit Market	70	56,8	54	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	61	87,0	64	↓	■	■
2.7 Financial Market Sophistication	49	40,0	56	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	4	118,0	2	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	68	23,0	78	↓	■	■
4.2 Security of Property Rights	49	50,1	52	↓	■	■
4.3 Quality of Legal Enforcement	53	57,3	53	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	45	48,9	48	↓	■	■
5.2 Labor Market Rigidities	59	46,7	62	↓	■	■
5.3 Bribing and Corruption	50	47,7	48	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	44	35,0	48	↓	■	■
6.2 Scientific and Technical Journal Articles	41	56,5	41	→	■	■
6.3 Ease of Starting and Running a Business	48	84,3	48	→	■	■
6.4 Simplicity of Closing a Business	53	60,7	56	↓	■	■
6.5 Corporate R&D	35	29,4	44	↓	■	■

# Czech Republic

Capital: Prague ++ Official Language: Czech ++ Currency: Czech Koruna

## Basic Facts



GDP	194 [bn USD]	IPO Volume	
Population	11 [mn]	M&A Volume	
GDP Growth	'04 - '10	VC Activity	
Pop. Growth	'04 - '10	PE Activity	

## SWOT Analysis

### Strengths

- Relatively strong mid-term economic growth prospects
- Strategic location in Central Europe bordering with strong economies (Germany, Austria, Poland)
- The second highest GDP (PPP) per capita in Central and Eastern Europe
- Highly educated and skilled labor force, with a well-developed infrastructure
- Developed real estate market

### Weaknesses

- Illiquid capital market
- Negative perception/low profile of VCPEs as a source of finance
- Financial reporting under local accounting standards
- Few opportunities for large investments (>500m)
- Lower quality of legal enforcement and uncertain tax environment

### Opportunities

- Many good companies with poor financial management
- Large pool of owner-managed businesses where owners are now reaching retirement
- Companies still struggling to obtain credit from banks and looking for other sources of finance
- Opportunities in non-cyclical industries such as health care
- New government with a strong mandate and priorities comprising pension and health care reform, and the strengthening of the anti-corruption law

### Threats

- Foreign currency exchange (FX) volatility (postponement of a decision regarding Euro adoption to the next government i.e., 2014)
- Negative impact of cuts in government spending on economic growth
- Uncertain impact of a global economic recovery on the prospects of an export-oriented economy

### Outlook

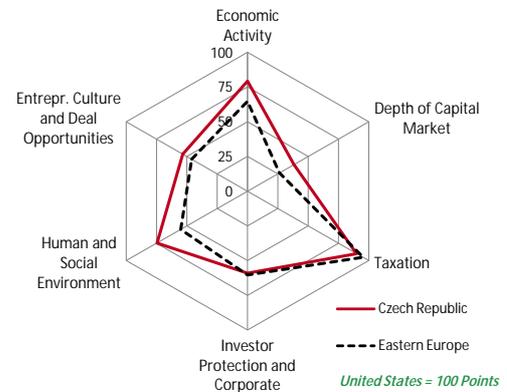
- Continuing recovery of VCPE opportunities to execute leveraged transaction with companies showing reasonable growth prospects

Lubos Kratochvil, Ernst & Young  
 lubos.kratochvil@cz.ey.com

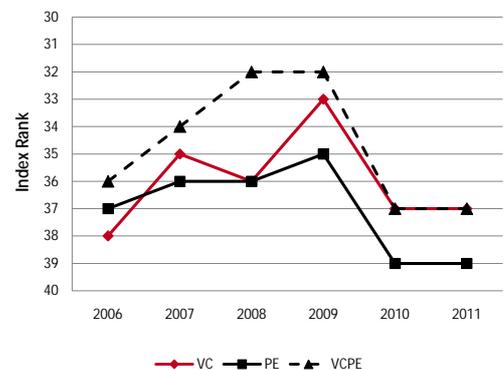
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	34	55,0	37			
Economic Activity	24	79,1	43			
Depth of Capital Market	45	38,3	45			
Taxation	58	90,0	64			
Inv. Prot./Corp. Gov.	43	58,9	47			
Human/Social Env.	21	74,5	20			
Entrepr. Cult./Deal Opp.	37	53,3	33			

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
Poland	35	57,4	36			
<b>Czech Republic</b>	34	55,0	37			
Turkey	31	52,8	39			
Hungary	43	52,0	40			
Slovenia	45	46,8	45			
Estonia	41	44,8	49			
Bulgaria	50	44,1	51			
Croatia	55	43,4	52			
Romania	47	41,0	60			

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	43	46,2	45	↓	■	■
1.2 Medium-Term Real GDP Growth	30	95,9	54	↓	■	■
1.3 Unemployment	37	112,0	32	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	62	33,2	59	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	40	8,8	42	↓	■	■
2.3 IPO Market Activity	49	20,4	53	↓	■	■
2.4 M&A Market Activity	42	45,9	42	→	■	■
2.5 Debt and Credit Market	35	66,6	36	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	49	97,9	48	↑	■	■
2.7 Financial Market Sophistication	37	68,2	36	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	58	90,0	64	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	29	60,6	38	↓	■	■
4.2 Security of Property Rights	61	46,6	58	↑	■	■
4.3 Quality of Legal Enforcement	39	72,5	38	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	23	83,8	21	↑	■	■
5.2 Labor Market Rigidities	13	85,4	13	→	■	■
5.3 Bribing and Corruption	40	57,8	39	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	29	64,1	24	↑	■	■
6.2 Scientific and Technical Journal Articles	29	66,2	29	→	■	■
6.3 Ease of Starting and Running a Business	56	79,1	54	↑	■	■
6.4 Simplicity of Closing a Business	74	28,1	74	→	■	■
6.5 Corporate R&D	31	45,5	29	↑	■	■

# Denmark

Capital: Copenhagen ++ Official Language: Danish ++ Currency: Danish Krone

## Basic Facts



GDP	314 [bn USD]	IPO Volume	4th 1st
Population	6 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Increased economic activity with entrepreneurs
- Strong VC environment with local as well as international players
- Increased political focus on providing finances to the business community
- Increase in corporate earnings

### Weaknesses

- Low end of the VC market not powerful enough and few players only
- Several exits from PE houses may increase competition in buy-side processes

### Opportunities

- The VCPE model receives positive interest from the public
- Mid-size PE houses have raised funds recently
- Good entrepreneurship in technologies and products
- Human resource environment is business friendly

### Threats

- Financial market is still repositioning on the back of the financial crisis
- Imbalance between financing opportunities and market pricing on companies
- Competition from industrial buyers

### Outlook

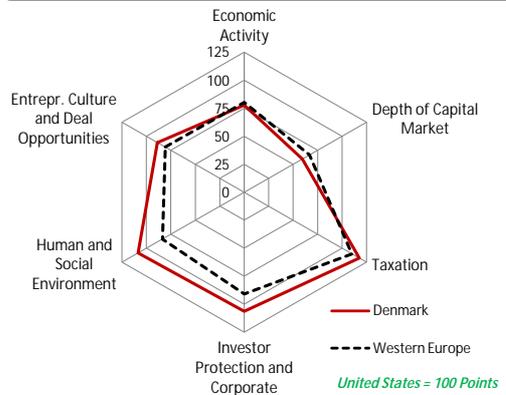
- Increased PE deal activity is expected

Jakob Fogt, Ernst & Young  
jakob.fogt@dk.ey.com

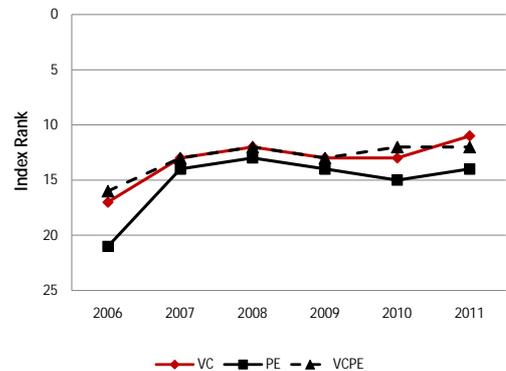
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>13</b>	<b>81,8</b>	<b>12</b>	↑	■
Economic Activity	61	77,7	47	↑	■
Depth of Capital Market	22	59,3	24	↓	■
Taxation	3	117,6	3	→	■
Inv. Prot./Corp. Gov.	4	106,3	5	↓	■
Human/Social Env.	2	108,4	4	↓	■
Entrepr. Cult./Deal Opp.	13	88,7	10	↑	■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United Kingdom	3	93,3	2	↑	■
Switzerland	5	91,8	5	→	■
Sweden	8	85,0	8	→	■
Netherlands	10	84,3	9	↑	■
Germany	16	82,8	10	↑	■
Finland	9	82,3	11	↓	■
<b>Denmark</b>	<b>13</b>	<b>81,8</b>	<b>12</b>	↑	■
Norway	12	81,0	13	↓	■
France	17	79,6	14	↑	■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	27	52,1	30	↓	■	■
1.2 Medium-Term Real GDP Growth	73	79,9	70	↑	■	■
1.3 Unemployment	14	112,5	29	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	30	54,6	36	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	24	24,9	26	↓	■	■
2.3 IPO Market Activity	41	39,6	33	↑	■	■
2.4 M&A Market Activity	23	53,3	31	↓	■	■
2.5 Debt and Credit Market	6	88,7	10	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	5	118,5	2	↑	■	■
2.7 Financial Market Sophistication	9	85,9	20	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	3	117,6	3	→	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	11	89,4	11	→	■	■
4.2 Security of Property Rights	8	104,7	11	↓	■	■
4.3 Quality of Legal Enforcement	1	128,5	1	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	6	102,1	8	↓	■	■
5.2 Labor Market Rigidities	7	91,6	6	↑	■	■
5.3 Bribing and Corruption	3	136,1	2	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	8	96,3	7	↑	■	■
6.2 Scientific and Technical Journal Articles	22	70,0	22	→	■	■
6.3 Ease of Starting and Running a Business	5	104,7	9	↓	■	■
6.4 Simplicity of Closing a Business	19	109,4	7	↑	■	■
6.5 Corporate R&D	12	71,2	12	→	■	■

# Ecuador

Capital: Quito ++ Official Language: Spanish ++ Currency: U.S. Dollar

## Basic Facts



GDP	62 [bn USD]	IPO Volume	
Population	14 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- Subject to US levels of monetary discipline under the dollarization regime, strengthening control over inflation
- Increase in private consumption and investment, driven by improved consumer confidence and a growth in energy and infrastructure investment projects
- Moderate inflation rates

### Weaknesses

- Lack of legal framework for VCPE formation and operation
- Lack of political stability
- High perception of corruption
- Perception of slow judicial system
- Unpredictable government policies
- Inadequate intellectual property rights protection
- Complexity of starting a business
- Limited access to international capital markets, due to the politically driven decision to default on 2012 and 2030 bonds

### Opportunities

- Global energy demand is likely to increase, outpacing oil supply growth, leading to higher oil prices and higher revenues for oil producers, like Ecuador

### Threats

- Ecuador's economic performance is vulnerable to international developments due to its dependence on commodities
- The Government seeks to increase state control over the country's strategic sectors
- Foreign investors, specifically from the oil and gas sectors, have been engaged in disputes with the Government over fiscal matters
- As of 2010, Ecuador is no longer a member of ICSID (International Centre for Settlement of Investment Disputes), which may impact investor confidence
- Ecuador has unilaterally rescinded several foreign investment protection agreements

### Outlook

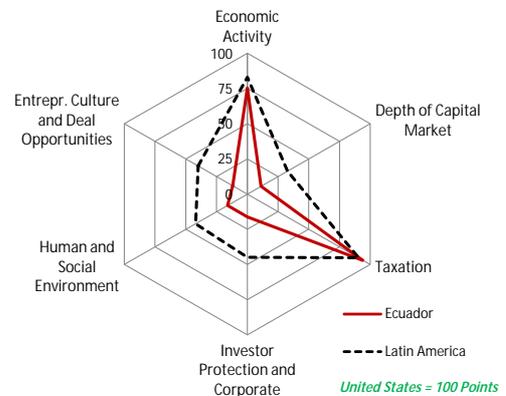
- The outlook for Ecuador is uncertain: lower oil prices and weaker external demand could dampen the country's major sources of foreign currency (US\$) and public sector revenue
- Foreign investment has been jeopardized by the new constitution, which prioritizes national over foreign investment

Milton Vasconez, Ernst & Young  
milton.vasconez@ec.ey.com

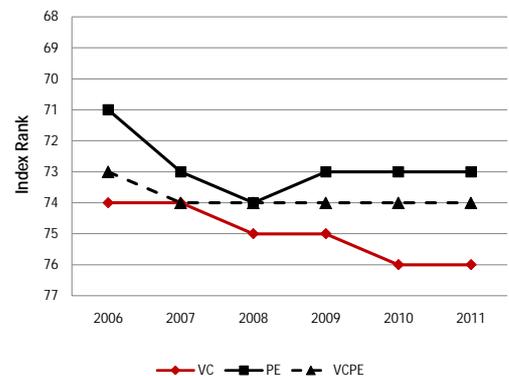
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	74	17,9	74		
Economic Activity	37	75,3	52		
Depth of Capital Market	71	11,2	73		
Taxation	44	93,9	51		
Inv. Prot./Corp. Gov.	79	16,2	79		
Human/Social Env.	77	16,1	78		
Entrepr. Cult./Deal Opp.	75	11,9	77		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Brazil	57	48,7	43		
Mexico	44	48,7	42		
Colombia	49	45,3	47		
Peru	63	41,1	59		
Uruguay	65	36,8	65		
Argentina	60	36,4	66		
<b>Ecuador</b>	74	17,9	74		
Paraguay	80	15,7	78		
Venezuela	73	15,2	79		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	60	32,0	60	→	✗	✗
1.2 Medium-Term Real GDP Growth	27	132,0	18	↑	✗	✗
1.3 Unemployment	44	101,3	48	↓	✗	✗

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	71	23,0	66	↑	✗	✗
2.2 Stock Market Liquidity (Trading Volume)	69	1,3	70	↓	✗	✗
2.3 IPO Market Activity	66	1,0	67	↓	✗	✗
2.4 M&A Market Activity	62	7,2	77	↓	✗	✗
2.5 Debt and Credit Market	74	43,6	69	↑	✗	✗
2.6 Bank Non-Performing Loans to Total Gross Loans	43	103,4	33	↑	✗	✗
2.7 Financial Market Sophistication	70	22,4	70	→	✗	✗

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	44	93,9	51	↓	✗	✗

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	72	32,0	75	↓	✗	✗
4.2 Security of Property Rights	74	14,4	76	↓	✗	✗
4.3 Quality of Legal Enforcement	79	9,2	79	→	✗	✗

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	77	20,3	79	↓	✗	✗
5.2 Labor Market Rigidities	72	19,6	78	↓	✗	✗
5.3 Bribing and Corruption	75	10,5	76	↓	✗	✗

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	75	8,8	75	→	✗	✗
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	✗	✗
6.3 Ease of Starting and Running a Business	69	55,7	72	↓	✗	✗
6.4 Simplicity of Closing a Business	69	36,3	72	↓	✗	✗
6.5 Corporate R&D	61	13,1	59	↑	✗	✗

# Egypt

Capital: Cairo ++ Official Language: Arabic ++ Currency: Egyptian Pound

## Basic Facts



GDP	216 [bn USD]	IPO Volume	
Population	78 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- High-growth economy, which was sustained even during the recession
- Well-established stock market – in the top five according to market cap in Africa
- High levels of literacy among youth and adults as well as a reasonable Gini coefficient (a statistical measure of wealth distribution among people relative to its peers) (32%)

### Weaknesses

- Access to financial services is limited

### Opportunities

- Prospects are good in a vast range of industries including pharmaceuticals, chemicals, tourism, light manufacturing and food processing
- Pharmaceuticals and food processing are a priority across Africa; therefore Egypt is well positioned to lead these sectors

### Threats

- Continued uncertainty around the political trajectory

### Outlook

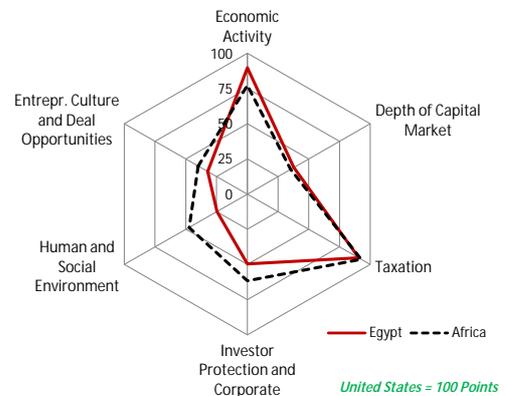
- Growth is not expected to drop in the future, particularly now the global economic recovery seems to be on track
- Egypt is of significance to the Middle East, due to its physical and cultural proximity to the region
- The resolution of the political crisis is crucial

Abdulaziz Al-Sowailim, Ernst & Young  
 Abdulaziz.Al-Sowailim@sa.ey.com

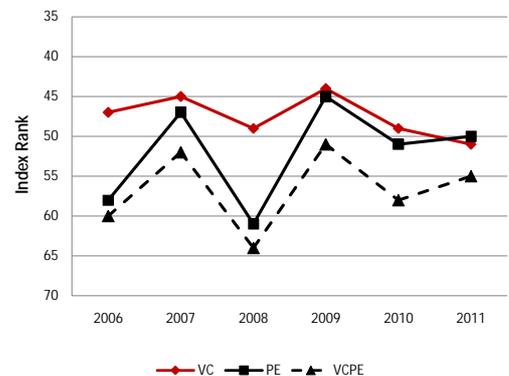
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	52	41,8	55			
Economic Activity	40	89,8	21			
Depth of Capital Market	47	37,8	47			
Taxation	63	90,7	60			
Inv. Prot./Corp. Gov.	52	49,6	51			
Human/Social Env.	70	24,7	76			
Entrepr. Cult./Deal Opp.	50	32,2	65			

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
South Africa	24	66,9	26			
<b>Egypt</b>	52	41,8	55			
Morocco	61	41,8	54			
Tunisia	64	41,5	56			
Kenya	69	38,3	63			
Nigeria	66	37,1	64			
Namibia	70	26,4	70			
Algeria	76	17,1	77			

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	50	47,5	39	↑	■	■
1.2 Medium-Term Real GDP Growth	47	155,8	8	↑	■	■
1.3 Unemployment	65	97,8	59	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	26	65,6	27	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	30	17,6	29	↑	■	■
2.3 IPO Market Activity	42	27,6	45	↓	■	■
2.4 M&A Market Activity	49	44,0	43	↑	■	■
2.5 Debt and Credit Market	50	72,0	31	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	78	19,0	78	→	■	■
2.7 Financial Market Sophistication	67	57,7	47	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	63	90,7	60	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	65	44,6	64	↑	■	■
4.2 Security of Property Rights	56	46,8	57	↓	■	■
4.3 Quality of Legal Enforcement	50	58,6	52	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	76	20,8	78	↓	■	■
5.2 Labor Market Rigidities	60	30,9	74	↓	■	■
5.3 Bribing and Corruption	59	23,4	65	↓	■	■

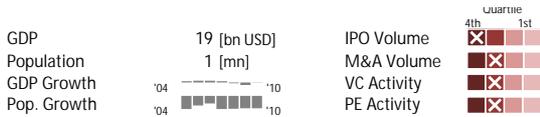
### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	67	18,1	71	↓	■	■
6.2 Scientific and Technical Journal Articles	37	61,0	37	→	■	■
6.3 Ease of Starting and Running a Business	74	95,1	25	↑	■	■
6.4 Simplicity of Closing a Business	70	40,8	71	↓	■	■
6.5 Corporate R&D	39	8,0	67	↓	■	■

# Estonia

Capital: Tallinn ++ Official Language: Estonian ++ Currency: Euro

## Basic Facts



## SWOT Analysis

### Strengths

- Simple and attractive tax system
- Government e-services and low level of bureaucracy
- Very flexible labor market – the crisis proved that internal devaluation is possible

### Weaknesses

- Small economy and, therefore, small M&A market
- Low liquidity and small size of stock exchange
- Dependency on the economic strength of Scandinavian countries, which are the main export markets and also the main source of foreign capital inflows

### Opportunities

- Recent adoption of the euro and the resulting reduction of currency risk is likely to increase investor's interest towards Estonia
- Government's low indebtedness and high rating of government debt enable the support of domestic demand

### Threats

- Baltic region, which is seen as one area, eclipses the amenities of Estonia
- Up to 15% expected unemployment rate in the near future hinders domestic demand

### Outlook

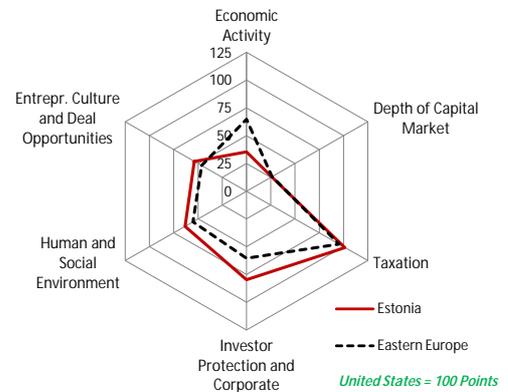
- Adoption of the euro and the government's continuing focus on the openness of the economy should attract foreign VCPE interest
- Estonia's attractiveness will also depend on economic growth prospects compared with the other Eastern European countries

Lili Kirikal, Ernst & Young  
lili.kirikal@ee.ey.com

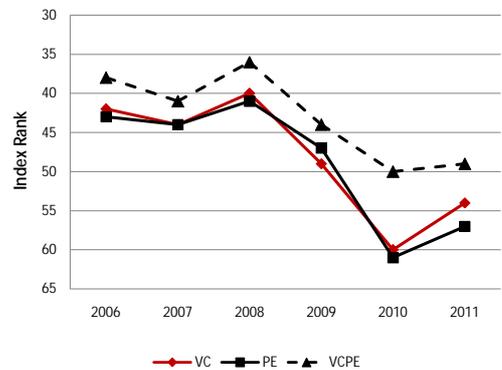
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	41	44,8	49		↓	⊗
Economic Activity	34	35,5	76		↓	⊗
Depth of Capital Market	54	26,0	56		↓	⊗
Taxation	32	101,4	37		↓	⊗
Inv. Prot./Corp. Gov.	24	79,6	24		→	⊗
Human/Social Env.	32	63,4	31		↑	⊗
Entrepr. Cult./Deal Opp.	30	53,8	32		↓	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
Czech Republic	34	55,0	37		↓	⊗
Turkey	31	52,8	39		↓	⊗
Hungary	43	52,0	40		↑	⊗
Slovenia	45	46,8	45		→	⊗
<b>Estonia</b>	41	44,8	49		↓	⊗
Bulgaria	50	44,1	51		↓	⊗
Croatia	55	43,4	52		↑	⊗
Romania	47	41,0	60		↓	⊗
Lithuania	46	41,3	57		↓	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	69	17,0	72	↓	☒	☐
1.2 Medium-Term Real GDP Growth	7	34,1	79	↓	☒	☐
1.3 Unemployment	27	76,8	69	↓	☒	☐

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	63	20,1	69	↓	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	52	2,5	58	↓	☒	☐
2.3 IPO Market Activity	64	12,2	62	↑	☒	☐
2.4 M&A Market Activity	61	24,9	60	↑	☒	☐
2.5 Debt and Credit Market	22	73,8	28	↓	☒	☐
2.6 Bank Non-Performing Loans to Total Gross Loans	1	107,5	23	↓	☒	☐
2.7 Financial Market Sophistication	22	68,2	36	↓	☒	☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	32	101,4	37	↓	☒	☐

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	27	64,3	33	↓	☒	☐
4.2 Security of Property Rights	22	84,6	23	↓	☒	☐
4.3 Quality of Legal Enforcement	23	92,6	23	→	☒	☐

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	25	75,3	26	↓	☒	☐
5.2 Labor Market Rigidities	71	38,4	68	↑	☒	☐
5.3 Bribing and Corruption	25	88,0	24	↑	☒	☐

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	33	55,0	30	↑	☒	☐
6.2 Scientific and Technical Journal Articles	50	50,2	50	→	☒	☐
6.3 Ease of Starting and Running a Business	10	108,8	7	↑	☒	☐
6.4 Simplicity of Closing a Business	36	69,9	39	↓	☒	☐
6.5 Corporate R&D	45	21,4	53	↓	☒	☐

# Finland

Capital: Helsinki ++ Official Language: Finnish, Swedish ++ Currency: Euro

## Basic Facts



## SWOT Analysis

### Strengths

- High education and R&D contribution
- Healthy banking sector

### Weaknesses

- Relatively small markets to support "the business case"
- Early-stage VC financing needing further development

### Opportunities

- New sectors arising, such as cleantech and engineering
- Development of globally leading clusters in certain strong industries

### Threats

- Increasing importance of globalization
- Failure to maintain advanced telecom sector

### Outlook

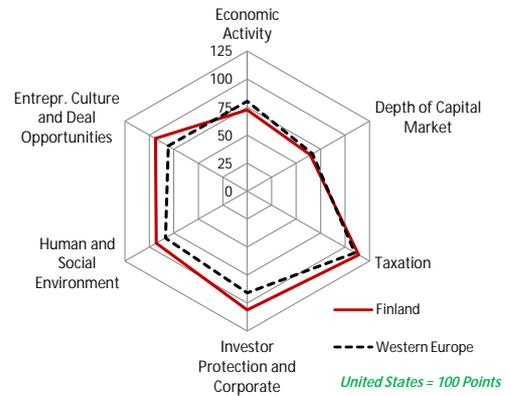
- Finland will be seen as an interesting area in which to invest

Sakari Laine, Ernst & Young  
sakari.laine@fi.ey.com

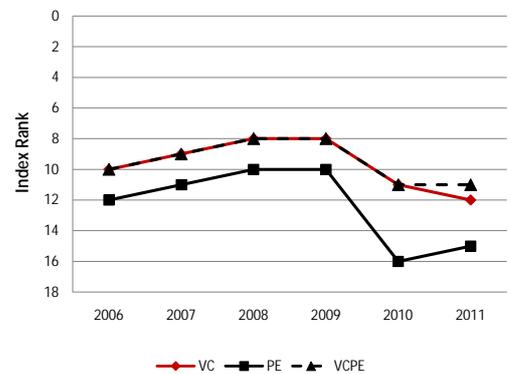
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>9</b>	<b>82,3</b>	<b>11</b>	↓	█
Economic Activity	46	72,3	53	↓	█
Depth of Capital Market	15	64,4	19	↓	█
Taxation	6	113,9	5	↑	█
Inv. Prot./Corp. Gov.	5	106,0	6	↓	█
Human/Social Env.	8	92,8	12	↓	█
Entrepr. Cult./Deal Opp.	5	93,7	3	↑	█

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United Kingdom	3	93,3	2	↑	█
Switzerland	5	91,8	5	→	█
Sweden	8	85,0	8	→	█
Netherlands	10	84,3	9	↑	█
Germany	16	82,8	10	↑	█
<b>Finland</b>	<b>9</b>	<b>82,3</b>	<b>11</b>	↓	█
Denmark	13	81,8	12	↑	█
Norway	12	81,0	13	↓	█
France	17	79,6	14	↑	█

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	32	48,8	35	↓	■	■
1.2 Medium-Term Real GDP Growth	60	76,8	72	↓	■	■
1.3 Unemployment	44	100,9	50	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	24	62,3	28	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	7	55,9	9	↓	■	■
2.3 IPO Market Activity	37	24,8	49	↓	■	■
2.4 M&A Market Activity	25	51,7	35	↓	■	■
2.5 Debt and Credit Market	18	87,3	13	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	5	117,8	3	↑	■	■
2.7 Financial Market Sophistication	18	100,0	11	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	6	113,9	5	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	15	80,7	17	↓	■	■
4.2 Security of Property Rights	2	119,6	1	↑	■	■
4.3 Quality of Legal Enforcement	2	123,6	3	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	2	105,3	6	↓	■	■
5.2 Labor Market Rigidities	49	56,5	50	↓	■	■
5.3 Bribing and Corruption	1	134,3	5	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	9	106,6	3	↑	■	■
6.2 Scientific and Technical Journal Articles	23	69,6	23	→	■	■
6.3 Ease of Starting and Running a Business	2	112,3	5	↓	■	■
6.4 Simplicity of Closing a Business	5	110,9	5	→	■	■
6.5 Corporate R&D	11	78,0	8	↑	■	■



## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	6	78,6	5	↑	■	■
1.2 Medium-Term Real GDP Growth	77	93,0	58	↑	■	■
1.3 Unemployment	57	99,1	55	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	17	71,3	24	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	16	44,7	16	→	■	■
2.3 IPO Market Activity	11	64,3	11	→	■	■
2.4 M&A Market Activity	6	75,0	8	↓	■	■
2.5 Debt and Credit Market	27	78,0	25	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	40	101,4	38	↑	■	■
2.7 Financial Market Sophistication	13	96,5	15	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	18	104,7	25	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	54	59,1	42	↑	■	■
4.2 Security of Property Rights	11	105,0	10	↑	■	■
4.3 Quality of Legal Enforcement	20	100,3	19	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	14	88,4	18	↓	■	■
5.2 Labor Market Rigidities	73	35,3	70	↑	■	■
5.3 Bribing and Corruption	17	99,1	19	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	6	88,9	11	↓	■	■
6.2 Scientific and Technical Journal Articles	6	84,5	6	→	■	■
6.3 Ease of Starting and Running a Business	31	83,9	49	↓	■	■
6.4 Simplicity of Closing a Business	27	80,1	29	↓	■	■
6.5 Corporate R&D	9	75,7	9	→	■	■

# Georgia

Capital: Tbilisi ++ Official Language: Georgian ++ Currency: Lari

## Basic Facts



GDP	11 [bn USD]	IPO Volume	4th 1st
Population	4 [mn]	M&A Volume	X
GDP Growth	'04 - - - - '10	VC Activity	X
Pop. Growth	'04 - - - - '10	PE Activity	X

## SWOT Analysis

### Strengths

- Good medium-term GDP growth potential
- One of the best business environments in Eastern Europe and the Caucasus: business start-ups are comparatively quick, with minimal administrative requirements and hiring and low labor market frictions
- Very good progress in large-scale privatization (manufacturing, energy, telecommunications and health care)

### Weaknesses

- Virtually no VCPE activity
- Non-bank financial sector underdeveloped
- Heavy reliance on metals and fossil fuels for export revenues

### Opportunities

- The Government, financially supported by the IMF, is working to improve infrastructure and energy supply
- The internet services market has just started to develop, and the regulatory authority aims to provide a supportive environment by increasing broadband deployment and by better regulating connection tariffs

### Threats

- FDI was a key driver of pre-crisis growth, but halved during 2009-2010. If FDI inflows do not pick up considerably, this would slow down by medium-term growth
- Tensions continue with Russia over the breakaway republics of Abkhazia and Adjara and the autonomous South Ossetia region, as well as over delays to Russia's World Trade Organization accession. (Russia is one of Georgia's major partners in terms of trade, investment and remittances)
- High government debt and deficits could be a drag on infrastructure projects

### Outlook

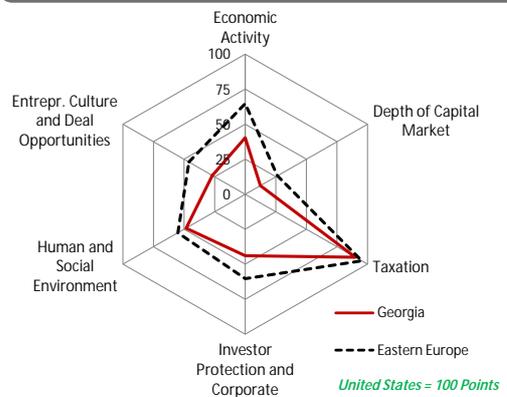
- GDP growth of more than 5% p.a. expected for the next five years
- High inflation, currently at 11.2 % will probably recede from 2012
- Growth could increase further if relations with Russia ease and government efforts to improve infrastructure take effect
- Debt and credit markets are likely to strengthen further, albeit from a low level

George Bazgadze, Ernst & Young  
 Gia.Bazgadze@ge.ey.com

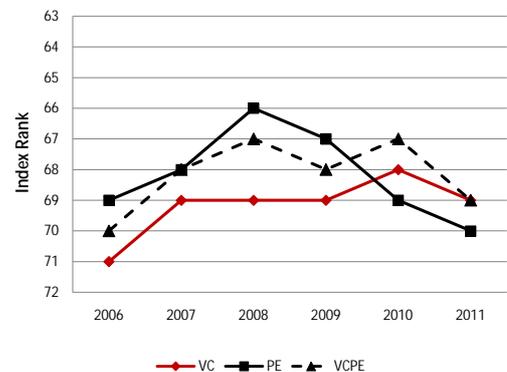
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>68</b>	<b>27,2</b>	<b>69</b>	↓	X
Economic Activity	69	40,3	72	↓	X
Depth of Capital Market	66	12,4	71	↓	X
Taxation	67	90,0	63	↑	X
Inv. Prot./Corp. Gov.	69	44,0	60	↑	X
Human/Social Env.	64	48,3	52	↑	X
Entrepr. Cult./Deal Opp.	58	26,8	69	↓	X

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Lithuania	46	41,3	57	↓	X
Slovakia	48	39,1	62	↓	X
Latvia	56	29,4	67	↓	X
Ukraine	67	27,8	68	↓	X
<b>Georgia</b>	<b>68</b>	<b>27,2</b>	<b>69</b>	↓	X
Moldova	71	22,0	72	↓	X
Macedonia	75	19,3	73	↑	X
Albania	79	17,8	75	↑	X
Bosnia-Herzegovina	77	17,3	76	↑	X

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	76	10,4	75	↑	☒	☐☐☐☐
1.2 Medium-Term Real GDP Growth	11	97,0	53	↓	☐☒☐☐	☐☐☐☐
1.3 Unemployment	71	65,2	71	→	☐☒☐☐	☐☐☐☐

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	68	18,2	73	↓	☐☒☐☐	☐☐☐☐
2.2 Stock Market Liquidity (Trading Volume)	66	1,2	74	↓	☐☒☐☐	☐☐☐☐
2.3 IPO Market Activity	62	1,0	67	↓	☐☒☐☐	☐☐☐☐
2.4 M&A Market Activity	64	16,5	67	↓	☐☒☐☐	☐☐☐☐
2.5 Debt and Credit Market	76	51,9	63	↑	☐☒☐☐	☐☐☐☐
2.6 Bank Non-Performing Loans to Total Gross Loans	14	92,5	55	↓	☐☒☐☐	☐☐☐☐
2.7 Financial Market Sophistication	67	25,9	67	→	☐☒☐☐	☐☐☐☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	67	90,0	63	↑	☐☒☐☐	☐☐☐☐

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	57	55,3	46	↑	☐☒☐☐	☐☐☐☐
4.2 Security of Property Rights	71	35,5	68	↑	☐☒☐☐	☐☐☐☐
4.3 Quality of Legal Enforcement	70	43,4	59	↑	☐☒☐☐	☐☐☐☐

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	66	26,1	74	↓	☐☒☐☐	☐☐☐☐
5.2 Labor Market Rigidities	69	90,9	8	↑	☐☐☐☐	☐☒☐☐
5.3 Bribing and Corruption	62	47,6	49	↑	☐☒☐☐	☐☐☐☐

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	74	14,3	72	↑	☐☒☐☐	☐☐☐☐
6.2 Scientific and Technical Journal Articles	64	41,3	64	→	☐☒☐☐	☐☐☐☐
6.3 Ease of Starting and Running a Business	18	115,7	3	↑	☐☐☐☐	☐☒☐☐
6.4 Simplicity of Closing a Business	52	64,8	47	↑	☐☒☐☐	☐☐☐☐
6.5 Corporate R&D	58	3,1	79	↓	☐☒☐☐	☐☐☐☐

# Germany

Capital: Berlin ++ Official Language: German ++ Currency: Euro

## Basic Facts



GDP	3335 [bn USD]	IPO Volume	4th	1st
Population	82 [mn]	M&A Volume	■	■
GDP Growth	'04 - '10	VC Activity	■	■
Pop. Growth	'04 - '10	PE Activity	■	■

## SWOT Analysis

### Strengths

- Large number of interesting targets of all sizes and strong potential from privately owned businesses facing succession problems
- Europe's leading economy, with diverse portfolio of industries
- Very strong infrastructure and reliable administration
- Cultural attitude towards performance and diligence

### Weaknesses

- The Government is looking to bring in stricter regulations and governance around the quality of management and diligence procedures, which may decline deal-making attractiveness

### Opportunities

- The macroeconomic environment is very favorable with forecasts predicting that Germany should become even stronger
- As we predicted in our last issue, comprehensive restructuring has placed many companies in strong competitive positions
- The loan situation is still fraught, causing many companies to look for other sources of capital, where VCPE represents a good option

### Threats

- Germany's current strength is mainly export driven and therefore strongly dependent on global recovery
- The improved tax position and other legislation, which was changed during the crisis, might be reversed if the economy keeps growing
- Regulations deriving from the AIFM Directive means that investors' access to certain products may be restricted, which may change their portfolio diversification models

### Outlook

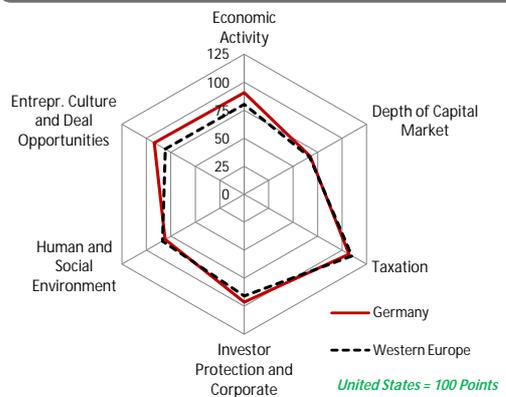
- The market is returning to its former (prior crisis) performance where many interesting companies are emerging as investment targets: They operate in niche growth markets, have a great technological advantage, and a deep innovation culture. These companies are well positioned to participate in the recovering world economy and growth in emerging markets

Stefan Ostheim, Ernst & Young  
stefan.ostheim@de.ey.com

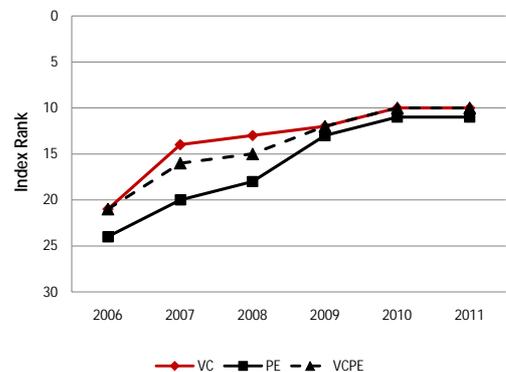
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>16</b>	<b>82,8</b>	<b>10</b>	↑	■
Economic Activity	72	90,6	17	↑	■
Depth of Capital Market	16	67,5	16	→	■
Taxation	31	107,1	16	↑	■
Inv. Prot./Corp. Gov.	12	96,3	14	↓	■
Human/Social Env.	18	80,9	18	→	■
Entrepr. Cult./Deal Opp.	3	91,8	5	↓	■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United Kingdom	3	93,3	2	↑	■
Switzerland	5	91,8	5	→	■
Sweden	8	85,0	8	→	■
Netherlands	10	84,3	9	↑	■
<b>Germany</b>	<b>16</b>	<b>82,8</b>	<b>10</b>	↑	■
Finland	9	82,3	11	↓	■
Denmark	13	81,8	12	↑	■
Norway	12	81,0	13	↓	■
France	17	79,6	14	↑	■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
1.1 Size of the Economy (GDP)	3	81,5	4	↓	■	■	■	■
1.2 Medium-Term Real GDP Growth	78	87,3	63	↑	■	■	■	■
1.3 Unemployment	49	104,5	42	↑	■	■	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
2.1 Size of the Stock Market	36	53,5	37	↓	■	■	■	■
2.2 Stock Market Liquidity (Trading Volume)	20	33,6	20	→	■	■	■	■
2.3 IPO Market Activity	13	60,3	15	↓	■	■	■	■
2.4 M&A Market Activity	8	73,6	9	↓	■	■	■	■
2.5 Debt and Credit Market	21	75,8	26	↓	■	■	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	46	102,1	36	↑	■	■	■	■
2.7 Financial Market Sophistication	13	103,5	8	↑	■	■	■	■

### 3. Taxation

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
3.1 Tax Incentives and Administrative Burdens	31	107,1	16	↑	■	■	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
4.1 Corporate Governance	18	72,3	23	↓	■	■	■	■
4.2 Security of Property Rights	3	106,2	7	↓	■	■	■	■
4.3 Quality of Legal Enforcement	14	116,2	15	↓	■	■	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
5.1 Education and Human Capital	12	102,4	7	↑	■	■	■	■
5.2 Labor Market Rigidities	68	45,0	64	↑	■	■	■	■
5.3 Bribing and Corruption	15	114,9	14	↑	■	■	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile			
		Value	Rank		4th	1st		
6.1 Innovation	2	103,3	5	↓	■	■	■	■
6.2 Scientific and Technical Journal Articles	4	87,6	4	→	■	■	■	■
6.3 Ease of Starting and Running a Business	36	86,6	46	↓	■	■	■	■
6.4 Simplicity of Closing a Business	21	88,8	21	→	■	■	■	■
6.5 Corporate R&D	3	93,8	3	→	■	■	■	■

# Greece

Capital: Athens ++ Official Language: Greek ++ Currency: Euro

## Basic Facts



GDP	322 [bn USD]	IPO Volume	4th 1st
Population	11 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 ■■■■■ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Tax and legal environment supporting VCPE
- New government policies to "fast track" investments (particularly in tourism and real estate)

### Weaknesses

- Non-existent debt markets due to prevailing market conditions.
- VCs having to finance up to 100% of many investments
- Small PE houses dominating the market and focusing on small ticket deals
- Large corporates often controlled by families who are actively engaged in day-to-day operations
- Lack of experienced/professional management

### Opportunities

- There are plenty of distressed-type opportunities
- Even solid/stable corporates are looking to restructure their debt
- Many corporates are looking to divest businesses to raise cash

### Threats

- Confidence is at an all-time low
- The fear of Greece defaulting on its debt obligations is deterring a lot of foreign investors

### Outlook

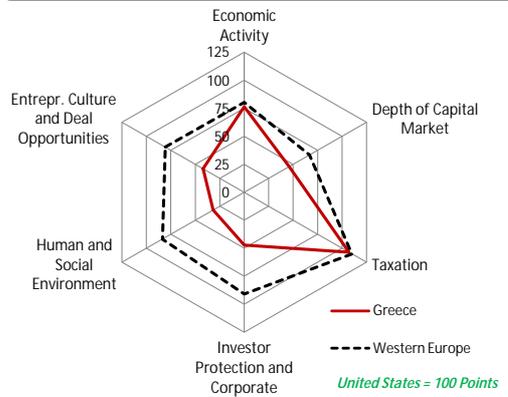
- The market will continue to be difficult for VCPEs
- Most local PEs are nourishing existing investments rather than making new ones
- The market has become a buyer's market; many companies are looking for refinancing and investment
- Exits are extremely difficult

Michael Chourdakis, Ernst & Young  
 michael.chourdakis@gr.ey.com

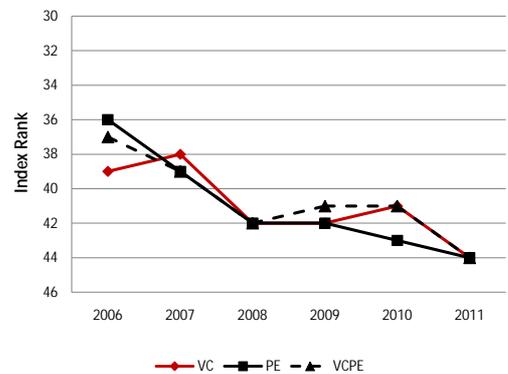
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>39</b>	<b>47,9</b>	<b>44</b>	↓	■ X ■
Economic Activity	47	76,4	50	↓	■ X ■
Depth of Capital Market	30	46,0	37	↓	■ X ■
Taxation	30	107,1	17	↑	■ X ■
Inv. Prot./Corp. Gov.	50	47,1	54	↓	■ X ■
Human/Social Env.	62	31,7	73	↓	■ X ■
Entrepr. Cult./Deal Opp.	42	42,1	52	↓	■ X ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
France	17	79,6	14	↑	■ X ■
Belgium	18	76,8	15	↑	■ X ■
Austria	23	71,7	22	↑	■ X ■
Spain	20	69,1	23	↓	■ X ■
Ireland	14	67,7	24	↓	■ X ■
Portugal	38	60,4	31	↑	■ X ■
Italy	32	59,6	32	→	■ X ■
Luxembourg	29	59,3	33	↓	■ X ■
Greece	39	47,9	44	↓	■ X ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	28	52,4	29	↓	■	■
1.2 Medium-Term Real GDP Growth	62	85,8	64	↓	■	■
1.3 Unemployment	55	99,1	55	→	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	29	46,0	42	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	34	12,5	37	↓	■	■
2.3 IPO Market Activity	28	45,6	28	→	■	■
2.4 M&A Market Activity	39	51,6	36	↑	■	■
2.5 Debt and Credit Market	30	68,4	35	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	62	86,3	66	↓	■	■
2.7 Financial Market Sophistication	41	54,1	51	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	30	107,1	17	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	73	25,8	76	↓	■	■
4.2 Security of Property Rights	43	59,8	43	→	■	■
4.3 Quality of Legal Enforcement	37	67,9	42	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	57	33,4	69	↓	■	■
5.2 Labor Market Rigidities	78	22,5	77	↑	■	■
5.3 Bribing and Corruption	44	42,5	51	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	62	22,2	67	↓	■	■
6.2 Scientific and Technical Journal Articles	25	68,7	25	→	■	■
6.3 Ease of Starting and Running a Business	70	53,2	73	↓	■	■
6.4 Simplicity of Closing a Business	30	79,3	31	↓	■	■
6.5 Corporate R&D	49	20,4	55	↓	■	■

# Hong Kong

Capital: Hong Kong ++ Official Language: Chinese, English ++ Currency: Hong Kong Dollar

## Basic Facts



GDP	224 [bn USD]	IPO Volume	4th 1st
Population	7 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Key global financial center with professional labor market and financial infrastructure
- One of the easiest places in the world to establish a business or generate an IPO
- Well-placed to benefit from mainland China's high growth and financial market development
- Quick IPO approval process compared with the mainland – important for fast-growing companies

### Weaknesses

- Economy is concentrated in the financial sector and vulnerable to downturns in world trade and financial liquidity
- Strong rises in domestic and commercial property in recent years store up the potential for asset price volatility

### Opportunities

- Potential for global investors to access the renminbi-denominated bond market in Hong Kong
- Large increase in use of wind and solar power in mainland China over the next decade, with the aim of producing a fifth of mainland China's energy from renewable sources; this is already generating significant PE transactions in Hong Kong
- The removal of taxes and duties on wine in 2008 has seen Hong Kong become a gateway for wine trade in Asia, challenging New York for the position of largest wine auction center in the world

### Threats

- High valuations, particularly in property sectors, may reduce the number of transactions
- Managing capital inflows and inflationary pressures with the dollar peg remains a key challenge
- The flow of IPO slowed toward the end of 2010 as mainland China began tightening monetary policy, lowering share prices in Hong Kong

### Outlook

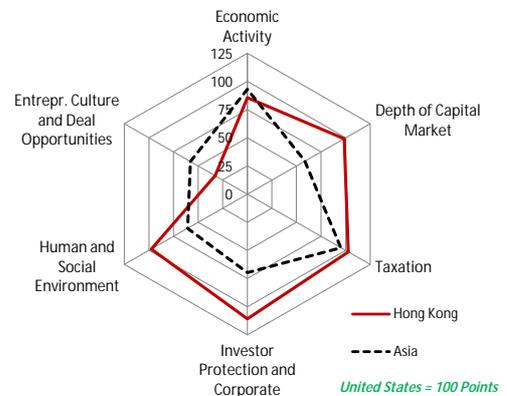
- Real GDP growth is expected to average 5% over the next five years
- Hong Kong is a key part of the growing integration of trade within Asia
- Hong Kong will be a key part of mainland China's financial development and can capitalize on this by providing a range of financial instruments targeted at mainland investors

Lawrence Lau, Ernst & Young  
lawrence.lau@cn.ey.com

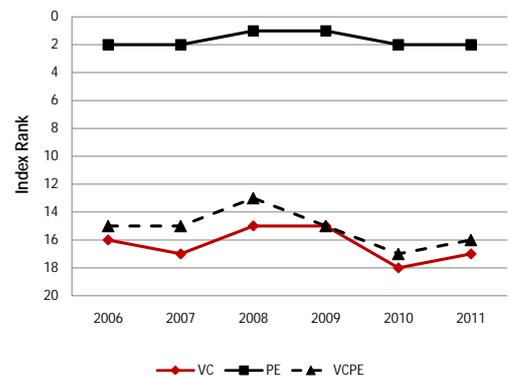
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	15	76,5	16	↓	4th 1st
Economic Activity	11	85,6	33	↓	4th 1st
Depth of Capital Market	2	98,3	2	→	4th 1st
Taxation	25	102,6	34	↓	4th 1st
Inv. Prot./Corp. Gov.	3	110,7	3	→	4th 1st
Human/Social Env.	9	97,7	9	→	4th 1st
Entrepr. Cult./Deal Opp.	64	32,8	64	→	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Singapore	2	92,4	4	↓	4th 1st
Japan	6	90,9	6	→	4th 1st
<b>Hong Kong</b>	15	76,5	16	↓	4th 1st
Korea, South	11	75,7	17	↓	4th 1st
China	25	72,3	20	↑	4th 1st
Malaysia	21	72,5	18	↑	4th 1st
Taiwan	27	62,4	27	→	4th 1st
India	26	61,4	30	↓	4th 1st
Thailand	28	59,3	34	↓	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	35	47,9	37	↓	■	■
1.2 Medium-Term Real GDP Growth	17	111,5	40	↓	■	■
1.3 Unemployment	22	117,4	17	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	1	143,8	1	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	4	111,4	2	↑	■	■
2.3 IPO Market Activity	8	71,9	6	↑	■	■
2.4 M&A Market Activity	11	71,1	12	↓	■	■
2.5 Debt and Credit Market	17	85,4	15	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	21	114,4	9	↑	■	■
2.7 Financial Market Sophistication	2	110,6	4	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	25	102,6	34	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	3	107,1	5	↓	■	■
4.2 Security of Property Rights	7	109,5	6	↑	■	■
4.3 Quality of Legal Enforcement	16	115,6	16	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	24	80,4	22	↑	■	■
5.2 Labor Market Rigidities	3	98,1	4	↓	■	■
5.3 Bribing and Corruption	14	118,2	12	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	23	63,4	26	↓	■	■
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	■	■
6.3 Ease of Starting and Running a Business	3	118,0	2	↑	■	■
6.4 Simplicity of Closing a Business	15	101,7	15	→	■	■
6.5 Corporate R&D	23	49,7	26	↓	■	■

# Hungary

Capital: Budapest ++ Official Language: Hungarian ++ Currency: Forint

## Basic Facts



GDP	146 [bn USD]	IPO Volume	4th	1st
Population	10 [mn]	M&A Volume	⊗	⊗
GDP Growth	'04 - - - '10	VC Activity	⊗	⊗
Pop. Growth	'04 - - - '10	PE Activity	⊗	⊗

## SWOT Analysis

### Strengths

- Competitive tax regime supporting investment and economic growth
- Large cumulated FDI with significant new investments in the automotive sector and shared service centers
- Post-privatization phase
- Known to have grown talent and know-how in selected industries

### Weaknesses

- Volatile currency
- Limited number of large potential investments
- Underdeveloped stock market, resulting in limited market liquidity and poor exit opportunities

### Opportunities

- Untapped midsize market, which is a priority in the government's economic policy
- Growth potential of Hungarian companies which have already invested in neighboring countries: cross-border activity within the region
- Market consolidation in various industries, disposals, reorganizations of international players
- Difficulty in raising finance for local players
- Values to be created by improving corporate culture
- Commencement of the EU-funded "Jeremie-Program" to help VC activities and to encourage companies to come to market will result in viable investment opportunities

### Threats

- Reduced availability of debt financing
- International investor confidence
- Uncertainty regarding the government's macroeconomic policies

### Outlook

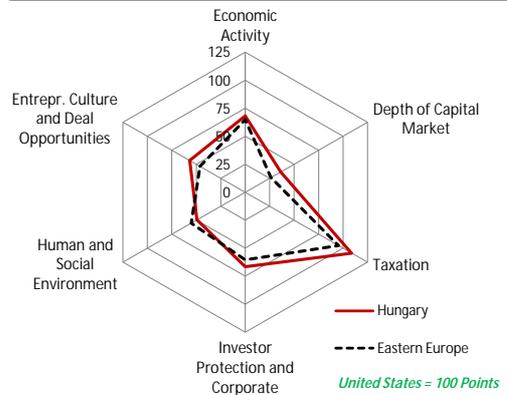
- Many opportunities: a growing number of deals in selected industries (due to the crisis), followed by reignited economic growth, and local and regional consolidation
- Investment of EU and government funds as seed capital will create a good deal flow in the technology sector in two to three years

Balazs Tuske, Ernst & Young  
balazs.tuske@hu.ey.com

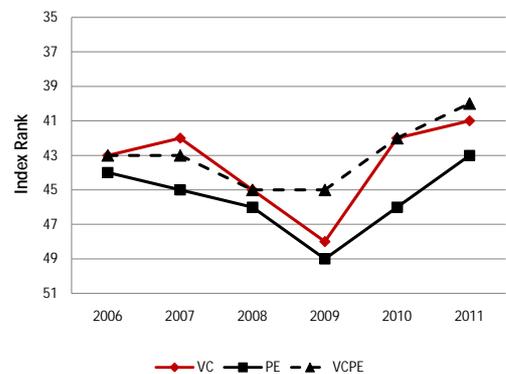
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>43</b>	<b>52,0</b>	<b>40</b>	↑	⊗
Economic Activity	49	68,1	58	↓	⊗
Depth of Capital Market	46	36,2	49	↓	⊗
Taxation	16	108,7	12	↑	⊗
Inv. Prot./Corp. Gov.	35	66,4	38	↓	⊗
Human/Social Env.	53	49,2	51	↑	⊗
Entrepr. Cult./Deal Opp.	32	56,7	30	↑	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Poland	35	57,4	36	↓	⊗
Czech Republic	34	55,0	37	↓	⊗
Turkey	31	52,8	39	↓	⊗
<b>Hungary</b>	<b>43</b>	<b>52,0</b>	<b>40</b>	↑	⊗
Slovenia	45	46,8	45	→	⊗
Estonia	41	44,8	49	↓	⊗
Bulgaria	50	44,1	51	↓	⊗
Croatia	55	43,4	52	↑	⊗
Romania	47	41,0	60	↓	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	48	42,6	50	↓	■	■
1.2 Medium-Term Real GDP Growth	55	75,1	74	↓	■	■
1.3 Unemployment	42	98,7	57	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	59	27,2	64	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	37	8,8	43	↓	■	■
2.3 IPO Market Activity	60	20,7	52	↑	■	■
2.4 M&A Market Activity	44	39,5	52	↓	■	■
2.5 Debt and Credit Market	34	64,3	42	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	34	100,0	39	↓	■	■
2.7 Financial Market Sophistication	48	64,7	41	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	16	108,7	12	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	45	54,8	48	↓	■	■
4.2 Security of Property Rights	25	77,0	28	↓	■	■
4.3 Quality of Legal Enforcement	38	69,4	40	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	42	67,5	33	↑	■	■
5.2 Labor Market Rigidities	76	29,4	76	→	■	■
5.3 Bribing and Corruption	34	60,2	38	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	40	47,3	34	↑	■	■
6.2 Scientific and Technical Journal Articles	33	64,7	33	→	■	■
6.3 Ease of Starting and Running a Business	42	82,4	50	↓	■	■
6.4 Simplicity of Closing a Business	42	70,9	38	↑	■	■
6.5 Corporate R&D	42	32,7	37	↑	■	■

# India

Capital: New Delhi ++ Official Language: Hindi, English ++ Currency: Indian Rupee

## Basic Facts



GDP	1468 [bn USD]	IPO Volume	4th 1st
Population	1185 [mn]	M&A Volume	4th 1st
GDP Growth	'04 ██████████ '10	VC Activity	4th 1st
Pop. Growth	'04 ██████████ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- One of the fastest growing economies; high domestic consumption-driven growth
- Strong entrepreneurial ecosystem and private sector
- VCPE investments growing at CAGR of 63% (from US\$1 billion in 2002 to US\$51.6 billion by 2010)
- High intellectual capital, leading to emergence of VC hotspots (e.g., Bengaluru)
- Active equity capital and transaction markets facilitating exit options
- Vibrant VCPE market with more than 250 GPs and most of the large global funds

### Weaknesses

- Regulatory restrictions on foreign investment in certain sectors, albeit easing gradually
- Lack of availability of debt for transactions

### Opportunities

- Significant growth in dispensable income and hence demand for products and services
- Capital is required for core sectors (e.g., infrastructure, manufacturing, health care)
- Stable government with a long-term secular and growth-oriented outlook

### Threats

- Competition from emerging nations (e.g., Brazil, China) to attract foreign VCPE funds
- The impact of proposed widespread changes in regulatory and tax policy is not fully clear

### Outlook

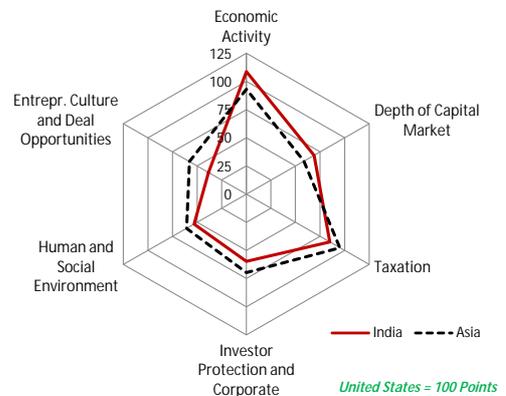
- Heightened PE interest and activity levels are expected as a result of broad-based economic growth, stable government and strong capital markets
- Greater involvement of global funds is expected, together with the emergence of a domestic LP community
- Growth capital minority deals are expected to remain the major theme with buyouts still rare

Mayank Rastogi, Ernst & Young  
mayank.rastogi@in.ey.com

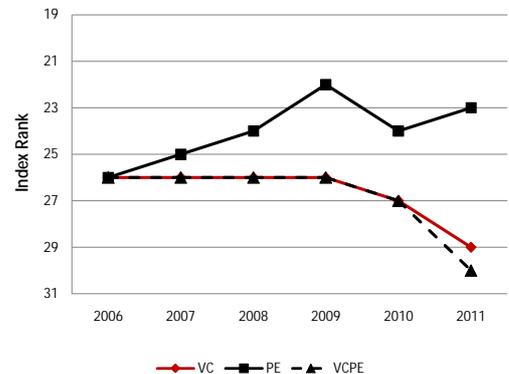
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	26	61,4	30	61,4	↓	4th 1st
Economic Activity	3	108,9	2	108,9	↑	4th 1st
Depth of Capital Market	18	68,9	15	68,9	↑	4th 1st
Taxation	62	84,9	72	84,9	↓	4th 1st
Inv. Prot./Corp. Gov.	42	59,6	46	59,6	↓	4th 1st
Human/Social Env.	43	53,1	46	53,1	↓	4th 1st
Entrepr. Cult./Deal Opp.	45	38,5	54	38,5	↓	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
Korea, South	11	75,7	17	75,7	↓	4th 1st
China	25	72,3	20	72,3	↑	4th 1st
Malaysia	21	72,5	18	72,5	↑	4th 1st
Taiwan	27	62,4	27	62,4	→	4th 1st
<b>India</b>	26	61,4	30	61,4	↓	4th 1st
Thailand	28	59,3	34	59,3	↓	4th 1st
Russian Federation	37	51,1	41	51,1	↓	4th 1st
Indonesia	59	45,2	48	45,2	↑	4th 1st
Vietnam	62	42,2	53	42,2	↑	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	14	71,3	11	↑	■	■
1.2 Medium-Term Real GDP Growth	9	171,2	2	↑	■	■
1.3 Unemployment	59	105,8	40	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	15	81,7	16	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	22	35,8	19	↑	■	■
2.3 IPO Market Activity	7	75,4	4	↑	■	■
2.4 M&A Market Activity	13	70,7	13	→	■	■
2.5 Debt and Credit Market	49	66,5	38	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	43	104,8	28	↑	■	■
2.7 Financial Market Sophistication	30	68,2	36	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	62	84,9	72	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	22	72,5	22	→	■	■
4.2 Security of Property Rights	60	43,5	61	↓	■	■
4.3 Quality of Legal Enforcement	42	67,2	43	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	29	75,3	26	↑	■	■
5.2 Labor Market Rigidities	44	59,8	45	↓	■	■
5.3 Bribing and Corruption	55	33,2	60	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	25	41,9	36	↓	■	■
6.2 Scientific and Technical Journal Articles	12	78,6	12	→	■	■
6.3 Ease of Starting and Running a Business	66	36,6	77	↓	■	■
6.4 Simplicity of Closing a Business	78	13,3	78	→	■	■
6.5 Corporate R&D	24	53,0	24	→	■	■

# Indonesia

Capital: Jakarta ++ Official Language: Indonesian ++ Currency: Rupiah

## Basic Facts



GDP	670 [bn USD]	IPO Volume	
Population	233 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- Large, young and growing middle-income population
- Abundance of natural resources
- Political stability and ambition to develop the economy

### Weaknesses

- Tax system covers double taxation on income and heavy spending on subsidies.
- Inadequate infrastructure in some areas
- Legal system comparatively less developed than in other markets and perceived widespread corruption
- Larger companies tend to be state or family owned
- Physical infrastructure is considered substandard. Moreover, the archipelagic nature of the country makes it difficult to weave national infrastructure together

### Opportunities

- Valuations are more attractive than in other major Asian countries
- Large untapped potential for natural resource exploration and infrastructure development
- The government is targeting a 15% increase in investment from US\$23b to US\$ 27b, of which 65% from foreign investors; in 2010, total investment increased by 54.2%, with 424 projects worth US\$3.8b realized in Q1 2010 alone
- Core sectors remain energy, mining, plantations and infrastructure, with retail, communications and pharmaceuticals likely to experience fast-growth
- If reforms to land laws are implemented, this will lead to many investment opportunities in the property market
- Indonesia is expected to reach investment grade, improving access to finance

### Threats

- Concerns that the outcome of the 2014 presidential elections may result in a potential shift of the current business and investment landscape
- Continuous amendments in Investment's Negative List may discourage foreign investors
- Unpredictable and contradictory Government policies and or regulations

### Outlook

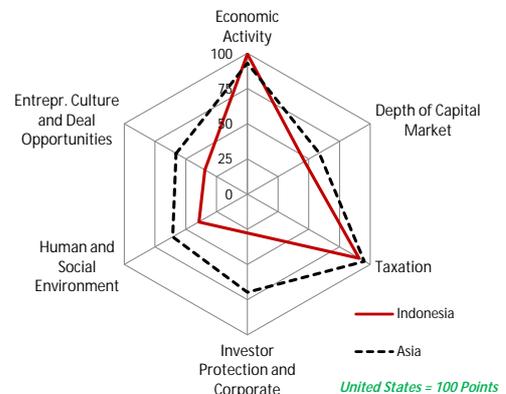
- Robust growth, underpinned by strong domestic demand
- VCPE markets will probably continue to develop quickly as the competition from Indonesia's neighbors is increasing

Giuseppe Nicolosi, Ernst & Young  
giuseppe.nicolosi@id.ey.com

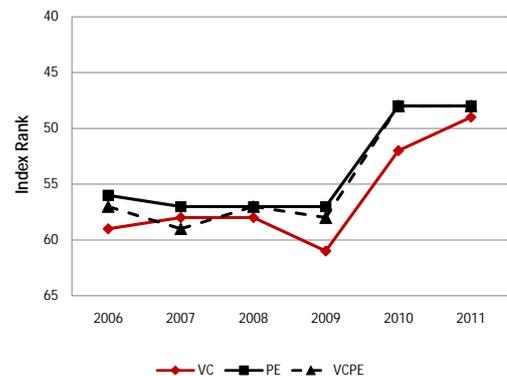
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	59	45,2	48		
Economic Activity	25	99,6	6		
Depth of Capital Market	39	46,6	35		
Taxation	66	91,0	58		
Inv. Prot./Corp. Gov.	75	27,5	75		
Human/Social Env.	67	39,3	61		
Entrepr. Cult./Deal Opp.	69	34,5	59		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Korea, South	11	75,7	17		
China	25	72,3	20		
Malaysia	21	72,5	18		
Taiwan	27	62,4	27		
India	26	61,4	30		
Thailand	28	59,3	34		
Russian Federation	37	51,1	41		
<b>Indonesia</b>	59	45,2	48		
Vietnam	62	42,2	53		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	22	61,5	18	↑	■	■
1.2 Medium-Term Real GDP Growth	37	155,5	9	↑	■	■
1.3 Unemployment	63	103,1	44	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	45	41,9	46	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	45	9,5	40	↑	■	■
2.3 IPO Market Activity	25	55,5	18	↑	■	■
2.4 M&A Market Activity	29	58,4	24	↑	■	■
2.5 Debt and Credit Market	59	65,2	40	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	63	98,6	45	↑	■	■
2.7 Financial Market Sophistication	57	57,7	47	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	66	91,0	58	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	53	48,8	57	↓	■	■
4.2 Security of Property Rights	79	9,4	79	→	■	■
4.3 Quality of Legal Enforcement	61	45,3	57	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	31	68,6	32	↓	■	■
5.2 Labor Market Rigidities	62	40,6	66	↓	■	■
5.3 Bribing and Corruption	74	21,9	67	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	45	39,7	40	↑	■	■
6.2 Scientific and Technical Journal Articles	60	44,1	60	→	■	■
6.3 Ease of Starting and Running a Business	76	74,5	58	↑	■	■
6.4 Simplicity of Closing a Business	71	33,2	73	↓	■	■
6.5 Corporate R&D	62	11,2	61	↑	■	■

# Ireland

Capital: Dublin ++ Official Language: Irish, English ++ Currency: Euro

## Basic Facts



GDP	217 [bn USD]	IPO Volume	4th 1st
Population	5 [mn]	M&A Volume	4th 1st
GDP Growth '04-'10	-----	VC Activity	4th 1st
Pop. Growth '04-'10	-----	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Strong focus on indigenous entrepreneurs/start-ups
- VCPE co-investing with government funding, which reduces need for institutional capital
- Strong productivity and high value added export sectors

### Weaknesses

- Limited debt available
- Low risk appetite
- A number of sectors which VCPE find less attractive such as retail, leisure and construction

### Opportunities

- Government focus on high potential and "smart economy" businesses, such as new green technologies
- Strong medical device/pharmaceutical industry and renewable energy opportunities
- Valuations are coming down as there are less funding alternatives available to investees

### Threats

- Recession is significantly deeper than in other countries
- Company failures are increasing
- Declining opportunities for start-ups in the recession, except in defensive sectors

### Outlook

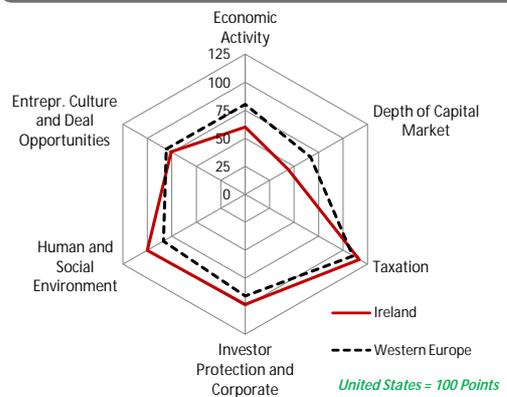
- Increasing VCPE focus on technology and biotech, with high expertise developed in these sectors and less competition from private high net worth funds, due to their exposure in declining markets
- The government will provide tax breaks

John O'Halloran, Ernst & Young  
john.ohalloran@ie.ey.com

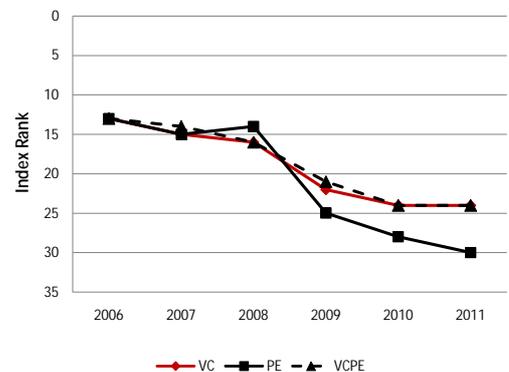
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>14</b>	<b>67,7</b>	<b>24</b>	↓	4th 1st
Economic Activity	20	59,8	68	↓	4th 1st
Depth of Capital Market	24	43,9	39	↓	4th 1st
Taxation	2	116,5	4	↓	4th 1st
Inv. Prot./Corp. Gov.	8	98,2	11	↓	4th 1st
Human/Social Env.	10	100,1	7	↑	4th 1st
Entrepr. Cult./Deal Opp.	19	75,8	20	↓	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
France	17	79,6	14	↑	4th 1st
Belgium	18	76,8	15	↑	4th 1st
Austria	23	71,7	22	↑	4th 1st
Spain	20	69,1	23	↓	4th 1st
<b>Ireland</b>	<b>14</b>	<b>67,7</b>	<b>24</b>	↓	4th 1st
Portugal	38	60,4	31	↑	4th 1st
Italy	32	59,6	32	→	4th 1st
Luxembourg	29	59,3	33	↓	4th 1st
Greece	39	47,9	44	↓	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	30	47,5	38	↓	■	■
1.2 Medium-Term Real GDP Growth	39	56,4	77	↓	■	■
1.3 Unemployment	18	79,9	68	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	42	33,9	58	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	36	13,0	36	↔	■	■
2.3 IPO Market Activity	26	31,1	40	↓	■	■
2.4 M&A Market Activity	30	52,4	32	↓	■	■
2.5 Debt and Credit Market	7	65,9	39	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	11	102,7	35	↓	■	■
2.7 Financial Market Sophistication	13	64,7	41	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	2	116,5	4	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	7	86,5	14	↓	■	■
4.2 Security of Property Rights	20	92,1	17	↑	■	■
4.3 Quality of Legal Enforcement	13	119,0	11	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	11	99,4	13	↓	■	■
5.2 Labor Market Rigidities	10	88,4	11	↓	■	■
5.3 Bribing and Corruption	16	114,2	15	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	20	65,5	23	↓	■	■
6.2 Scientific and Technical Journal Articles	35	63,0	35	↔	■	■
6.3 Ease of Starting and Running a Business	9	101,3	15	↓	■	■
6.4 Simplicity of Closing a Business	8	108,4	8	↔	■	■
6.5 Corporate R&D	22	55,3	22	↔	■	■



## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	41	46,4	42	↓	■	■
1.2 Medium-Term Real GDP Growth	45	123,7	24	↑	■	■
1.3 Unemployment	52	108,5	35	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	16	77,5	19	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	26	21,8	27	↓	■	■
2.3 IPO Market Activity	18	48,5	27	↓	■	■
2.4 M&A Market Activity	33	47,7	41	↓	■	■
2.5 Debt and Credit Market	26	69,5	34	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	27	110,3	18	↑	■	■
2.7 Financial Market Sophistication	22	82,4	26	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	29	104,3	27	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	9	95,2	9	→	■	■
4.2 Security of Property Rights	39	57,2	46	↓	■	■
4.3 Quality of Legal Enforcement	21	93,8	22	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	22	76,7	24	↓	■	■
5.2 Labor Market Rigidities	38	58,8	47	↓	■	■
5.3 Bribing and Corruption	28	81,6	28	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	13	89,8	10	↑	■	■
6.2 Scientific and Technical Journal Articles	21	71,8	21	→	■	■
6.3 Ease of Starting and Running a Business	16	98,3	23	↓	■	■
6.4 Simplicity of Closing a Business	55	56,3	60	↓	■	■
6.5 Corporate R&D	10	72,1	11	↓	■	■

# Italy

Capital: Rome ++ Official Language: Italian ++ Currency: Euro

## Basic Facts



GDP	2121 [bn USD]	IPO Volume	
Population	60 [mn]	M&A Volume	
GDP Growth	'04 - - - - - '10	VC Activity	
Pop. Growth	'04 - - - - - '10	PE Activity	

## SWOT Analysis

### Strengths

- Well-developed economy (innovative designs and inexpensive production techniques), with highly specialized industrial districts and niches of excellence
- Relatively stable banking system
- Comparatively low indebtedness of combined families and companies (below 120% of GDP vs. an EU average of above 185%)

### Weaknesses

- Complicated tax system with comparatively high tax rates, resulting in still high evasion rates – estimated at over €300b of undeclared profits
- High sovereign debt (approximately 118% of GDP) and limited space for government stimulus measures
- Rigidity of labor market (but comparatively low cost of labor), with a gap between highly protected permanent workers and poorly protected temporary workers

### Opportunities

- Improvement in public labor productivity is expected due to performance-linked salary to be introduced after 2010
- Progress has been made in labor productivity in the private sector, with some key breakthroughs (e.g., Fiat)
- Recent reforms have set the stage for further progress (e.g., competitive tendering, enhanced role of the antitrust authority, removal of obsolete legislation, secondary school and university)

### Threats

- The family-centered model of capitalism is suffering from weak corporate governance and a generation change
- Lack of measures to attract talents from abroad or to retain Italian ones may affect growth/innovation in the long term
- Realization of crucial prospected reforms (energy, justice, bureaucracy) is currently undermined by an unusually high level of political strife

### Outlook

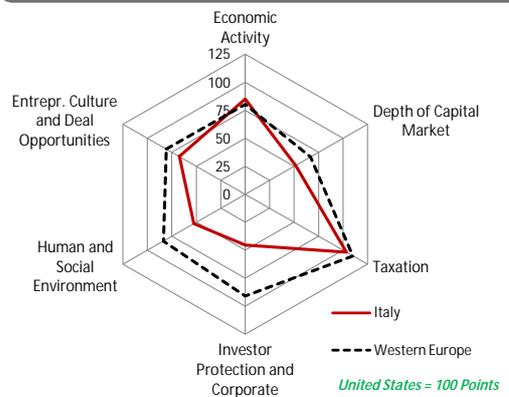
- The latest forecasts show Italian GDP growing at around 1% both in 2011 and 2012 – slower than the rest of the euro area – supported by soaring exports, but still affected by weak consumer spending and austerity measures imposed by the government

Carlo Pelloni, Ernst & Young  
carlo.pelloni@it.ey.com

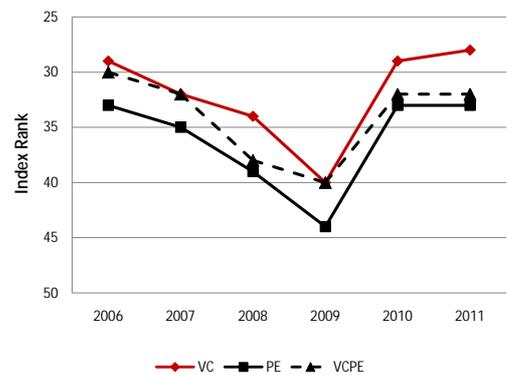
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>32</b>	<b>59,6</b>	<b>32</b>		
Economic Activity	75	84,8	35		
Depth of Capital Market	26	51,5	30		
Taxation	34	103,4	30		
Inv. Prot./Corp. Gov.	49	45,3	57		
Human/Social Env.	46	52,6	47		
Entrepr. Cult./Deal Opp.	22	67,3	21		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
France	17	79,6	14		
Belgium	18	76,8	15		
Austria	23	71,7	22		
Spain	20	69,1	23		
Ireland	14	67,7	24		
Portugal	38	60,4	31		
<b>Italy</b>	<b>32</b>	<b>59,6</b>	<b>32</b>		
Luxembourg	29	59,3	33		
Greece	39	47,9	44		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	7	75,9	7	→	■	■
1.2 Medium-Term Real GDP Growth	79	76,4	73	↑	■	■
1.3 Unemployment	33	105,4	41	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	39	43,8	45	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	21	25,7	25	↓	■	■
2.3 IPO Market Activity	15	54,7	19	↓	■	■
2.4 M&A Market Activity	9	72,4	11	↓	■	■
2.5 Debt and Credit Market	44	61,8	48	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	58	87,0	64	↓	■	■
2.7 Financial Market Sophistication	55	40,0	56	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	34	103,4	30	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	63	34,7	73	↓	■	■
4.2 Security of Property Rights	48	47,4	56	↓	■	■
4.3 Quality of Legal Enforcement	51	56,4	55	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	62	48,5	49	↑	■	■
5.2 Labor Market Rigidities	39	61,6	43	↓	■	■
5.3 Bribing and Corruption	38	48,6	47	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	21	56,2	28	↓	■	■
6.2 Scientific and Technical Journal Articles	8	82,8	8	→	■	■
6.3 Ease of Starting and Running a Business	58	74,4	60	↓	■	■
6.4 Simplicity of Closing a Business	33	73,9	35	↓	■	■
6.5 Corporate R&D	26	53,8	23	↑	■	■

# Japan

Capital: Tokyo ++ Official Language: Japanese ++ Currency: Yen

## Basic Facts



GDP	5273 [bn USD]	IPO Volume	4th 1st
Population	127 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- The world's third-largest economy
- Market-leading technology in many sectors
- Firmly established economic and social infrastructure

### Weaknesses

- Unique corporate governance culture differs from Western standards
- High corporate tax burdens on corporate cash flow
- Stringent legislative protection of employee rights prevents flexible workforce, rightsizing and adaptation of human resource management initiatives to corporate strategies

### Opportunities

- Companies receive only limited investments but would certainly benefit from VCPE as they are usually broadly diversified with many non-core activities
- Succession issues in family-owned businesses foster VCPE investment
- Take-private deals and PIPEs are becoming more understood and accepted by management

### Threats

- Increasingly negative sentiment toward VCPE, as VCPE investors are not seen as appropriately supporting investee companies in the current economic climate
- Increasingly difficult funding environment
- Decreasing valuations of public companies reveal missed/unfavorable VCPE exit opportunities

### Outlook

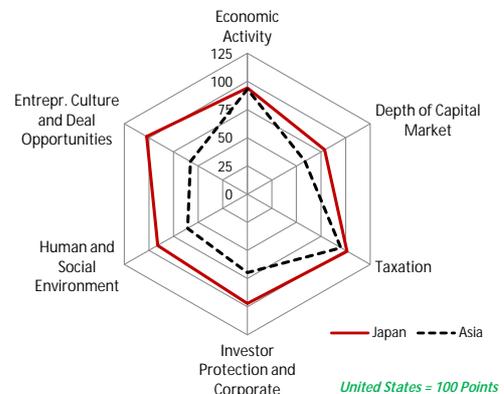
- More Japanese companies are likely to aim at expanding their business into the global market, requiring additional funds and professional support from VCPE
- Many companies will find it increasingly hard to obtain access to additional capital and will need to deploy their capital more effectively
- Many companies will be forced to divest non-core businesses in order to create shareholder value

Satoshi Sekine, Ernst & Young Transaction  
satoshi.sekine@jp.ey.com

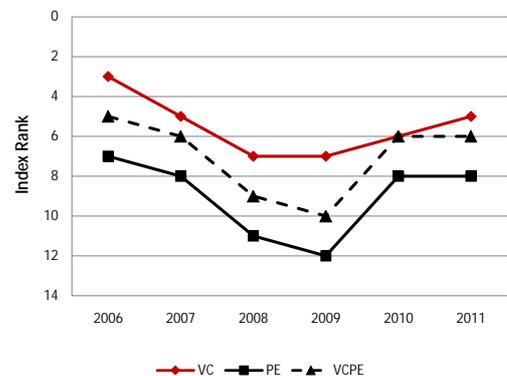
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>6</b>	<b>90,9</b>	<b>6</b>	→	■ ■ ■ ■
Economic Activity	57	94,3	9	↑	■ ■ ■ ■
Depth of Capital Market	7	78,7	7	→	■ ■ ■ ■
Taxation	27	101,4	36	↓	■ ■ ■ ■
Inv. Prot./Corp. Gov.	13	97,1	13	→	■ ■ ■ ■
Human/Social Env.	15	91,0	15	→	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	2	102,3	1	↑	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Singapore	2	92,4	4	↓	■ ■ ■ ■
<b>Japan</b>	<b>6</b>	<b>90,9</b>	<b>6</b>	→	■ ■ ■ ■
Hong Kong	15	76,5	16	↓	■ ■ ■ ■
Korea, South	11	75,7	17	↓	■ ■ ■ ■
China	25	72,3	20	↑	■ ■ ■ ■
Malaysia	21	72,5	18	↑	■ ■ ■ ■
Taiwan	27	62,4	27	→	■ ■ ■ ■
India	26	61,4	30	↓	■ ■ ■ ■
Thailand	28	59,3	34	↓	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	2	87,2	3	↓	■	■
1.2 Medium-Term Real GDP Growth	76	79,8	71	↑	■	■
1.3 Unemployment	15	120,5	13	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	11	86,3	11	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	10	46,8	14	↓	■	■
2.3 IPO Market Activity	3	68,7	8	↓	■	■
2.4 M&A Market Activity	3	84,4	3	→	■	■
2.5 Debt and Credit Market	5	102,2	1	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	25	108,9	21	↑	■	■
2.7 Financial Market Sophistication	37	71,8	31	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	27	101,4	36	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	14	88,1	13	↑	■	■
4.2 Security of Property Rights	13	99,3	14	↓	■	■
4.3 Quality of Legal Enforcement	18	104,5	17	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	21	86,2	19	↑	■	■
5.2 Labor Market Rigidities	9	85,6	12	↓	■	■
5.3 Bribing and Corruption	18	102,0	17	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	3	106,1	4	↓	■	■
6.2 Scientific and Technical Journal Articles	2	89,4	2	→	■	■
6.3 Ease of Starting and Running a Business	34	99,9	20	↑	■	■
6.4 Simplicity of Closing a Business	3	114,9	2	↑	■	■
6.5 Corporate R&D	2	103,1	1	↑	■	■



## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	71	20,6	68	↑	✗	✗
1.2 Medium-Term Real GDP Growth	13	148,6	11	↑	✗	✗
1.3 Unemployment	72	84,4	66	↑	✗	✗

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	9	114,3	4	↑	✗	✗
2.2 Stock Market Liquidity (Trading Volume)	12	51,5	11	↑	✗	✗
2.3 IPO Market Activity	63	33,3	39	↑	✗	✗
2.4 M&A Market Activity	65	28,0	59	↑	✗	✗
2.5 Debt and Credit Market	40	60,8	50	↓	✗	✗
2.6 Bank Non-Performing Loans to Total Gross Loans	55	91,8	56	↓	✗	✗
2.7 Financial Market Sophistication	44	54,1	51	↓	✗	✗

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	28	102,0	35	↓	✗	✗

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	52	46,4	62	↓	✗	✗
4.2 Security of Property Rights	41	64,2	40	↑	✗	✗
4.3 Quality of Legal Enforcement	36	76,4	37	↓	✗	✗

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	30	46,1	52	↓	✗	✗
5.2 Labor Market Rigidities	26	76,7	26	→	✗	✗
5.3 Bribing and Corruption	32	66,6	33	↓	✗	✗

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	52	22,9	64	↓	✗	✗
6.2 Scientific and Technical Journal Articles	55	46,5	55	→	✗	✗
6.3 Ease of Starting and Running a Business	73	80,7	53	↑	✗	✗
6.4 Simplicity of Closing a Business	54	55,5	61	↓	✗	✗
6.5 Corporate R&D	60	8,3	66	↓	✗	✗

# Kazakhstan

Capital: Astana ++ Official Language: Kazakh, Russian ++ Currency: Tenge

## Basic Facts



GDP	126 [bn USD]	IPO Volume	
Population	16 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- Rich oil and gas and mineral resources, including coal and uranium
- Strong public finances, including a large petroleum stabilization fund and low government debt
- Political and social stability since independence
- High FDI inflow per capita compared with many of its peers
- Active state participation in restructuring of systematic financial institutions
- State National Wealth Fund active in setting up PE funds with foreign investors

### Weaknesses

- Overdependence on hydrocarbons and mineral resources
- Banking sector still has a high share of non-performing loans representing an ongoing risk to banks' capital and constraining recovery in domestic demand
- Corporate sector remains highly leveraged
- High level of dollarization
- Insufficient corporate governance requirements
- Perceived high levels of corruption by Eastern European standards

### Opportunities

- Economic diversification and industrialization, particularly toward higher value-added activities
- Large privatization program scheduled to begin in 2012
- Deepening local capital markets and a well-functioning government benchmark yield curve
- Development of Single Economic Space and Customs Union with Russia and Belarus
- Plans to join World Trade Organization
- Development of PPP to finance modernization of energy-generating and transmission assets

### Threats

- A significant drop in oil and other commodity prices would impact economic growth
- Particularly vulnerable to weakness in EU, and China and Russian growth downturn

### Outlook

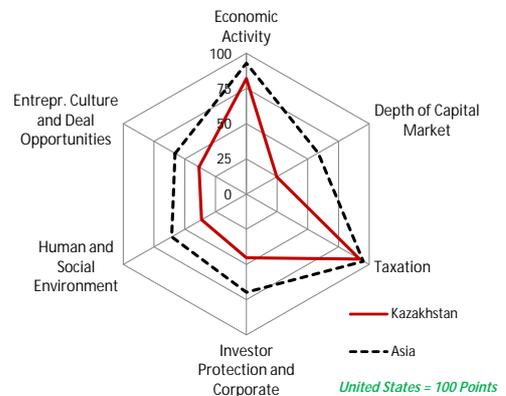
- Conditions are likely to improve in the near future subject to speedy resolution of the non-performing loans issue in Kazakhstan's financial system

Timur Pulatov, Ernst & Young  
timur.pulatov@kz.ey.com

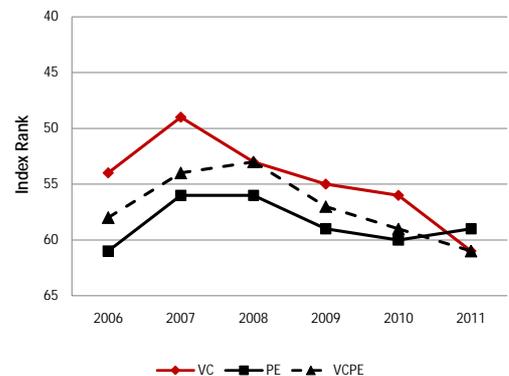
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	54	39,1	61		
Economic Activity	10	82,1	37		
Depth of Capital Market	56	24,7	59		
Taxation	49	92,2	55		
Inv. Prot./Corp. Gov.	55	45,3	58		
Human/Social Env.	56	36,4	68		
Entrepr. Cult./Deal Opp.	51	38,5	55		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
India	26	61,4	30		
Thailand	28	59,3	34		
Russian Federation	37	51,1	41		
Indonesia	59	45,2	48		
Vietnam	62	42,2	53		
Philippines	53	41,2	58		
<b>Kazakhstan</b>	54	39,1	61		
Armenia	72	25,3	71		
Kyrgyzstan	78	14,4	80		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	54	40,8	53	↑	■	■
1.2 Medium-Term Real GDP Growth	5	120,6	28	↓	■	■
1.3 Unemployment	47	112,5	29	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	46	38,6	51	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	54	2,2	62	↓	■	■
2.3 IPO Market Activity	45	13,3	61	↓	■	■
2.4 M&A Market Activity	50	42,3	49	↑	■	■
2.5 Debt and Credit Market	75	41,8	70	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	59	85,6	67	↓	■	■
2.7 Financial Market Sophistication	62	33,0	64	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	49	92,2	55	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	49	49,9	55	↓	■	■
4.2 Security of Property Rights	51	43,3	62	↓	■	■
4.3 Quality of Legal Enforcement	62	42,9	60	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	46	34,9	65	↓	■	■
5.2 Labor Market Rigidities	16	82,5	17	↓	■	■
5.3 Bribing and Corruption	71	16,8	71	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	54	27,2	59	↓	■	■
6.2 Scientific and Technical Journal Articles	68	37,9	68	→	■	■
6.3 Ease of Starting and Running a Business	33	89,7	40	↓	■	■
6.4 Simplicity of Closing a Business	39	74,5	34	↑	■	■
6.5 Corporate R&D	59	12,3	60	↓	■	■

# Kenya

Capital: Nairobi ++ Official Language: English, Swahili ++ Currency: Kenyan Shilling

## Basic Facts



GDP	32 [bn USD]	IPO Volume	
Population	41 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- Strong and liquid stock market with a good track record of corporate activity in banking and telecommunications
- Leads the way in finding innovative solutions to the lack of access to banking services, e.g., following M-Pesa (a mobile phone-based money transfer service)
- VC Houses have been looking for opportunities to fund innovative ventures in the ICT space

### Weaknesses

- Despite a liquid stock market and growth in the property market, there is a lack of access to banking services for consumers, particularly in mortgage lending
- There are incidents of banks using depositors' money to buy government bonds because it is much safer than retail lending – there has been a reported 400% (approximate) growth in the government bond market

### Opportunities

- Because most companies in the East African Community (EAC) are cross-listed on the main stock exchanges (Nairobi Stock Exchange, Jerusalem Stock Exchange and Uganda Securities Exchange) one can expect there will be a lot of corporate activity in the near future
- The farther the regionalization of the EAC progresses, the more one can expect to see M&A or IPOs in the region
- Kenyan banks and East African airlines continue to expand, laying the foundation for future M&As

### Threats

- Progress in Kenya's financial markets, although it is able to lead, will always depend on the stability of the region
- The common market protocol poses a threat because regional blocs take a long time to solidify it: this may delay some commercial decisions that could trigger M&A activity

### Outlook

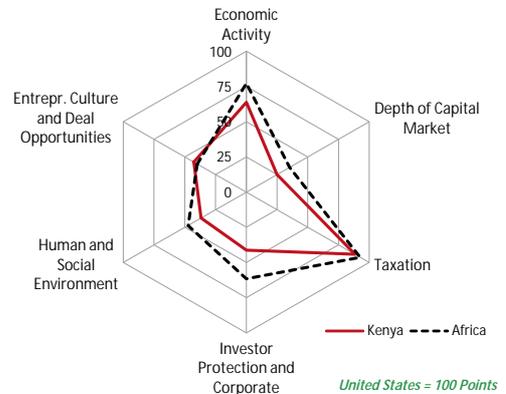
- Generally considered a gateway into Africa, Kenya is relatively more advanced than the rest of the EAC, and will continue to benefit from the ongoing regionalization of the African economy
- East Africa is on track to create a common currency before 2020, having already established a common customs union and started building a common trading platform for the region (with nearly 140 million people)

Gitahi Gachahi, Ernst & Young  
gitahi.gachahi@ke.ey.com

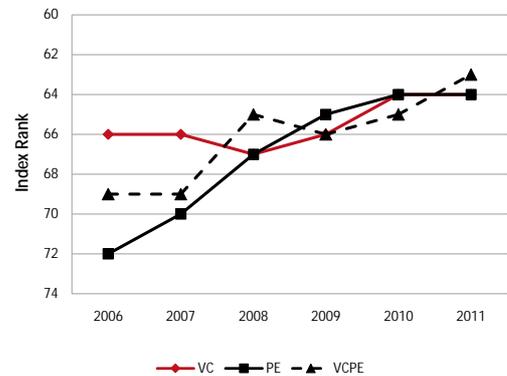
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	69	38,3	63		
Economic Activity	62	63,7	62		
Depth of Capital Market	69	24,9	58		
Taxation	57	88,4	67		
Inv. Prot./Corp. Gov.	59	41,3	63		
Human/Social Env.	69	36,8	66		
Entrepr. Cult./Deal Opp.	62	42,7	51		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
South Africa	24	66,9	26		
Egypt	52	41,8	55		
Morocco	61	41,8	54		
Tunisia	64	41,5	56		
<b>Kenya</b>	69	38,3	63		
Nigeria	66	37,1	64		
Namibia	70	26,4	70		
Algeria	76	17,1	77		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	66	23,9	67	↓	✗	✗
1.2 Medium-Term Real GDP Growth	33	123,7	23	↑	✗	✗
1.3 Unemployment	68	87,5	63	↑	✗	✗

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	52	45,6	43	↑	✗	✗
2.2 Stock Market Liquidity (Trading Volume)	53	3,0	53	→	✗	✗
2.3 IPO Market Activity	55	16,6	59	↓	✗	✗
2.4 M&A Market Activity	67	11,2	72	↓	✗	✗
2.5 Debt and Credit Market	57	62,0	46	↑	✗	✗
2.6 Bank Non-Performing Loans to Total Gross Loans	80	58,8	75	↑	✗	✗
2.7 Financial Market Sophistication	49	64,7	41	↑	✗	✗

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	57	88,4	67	↓	✗	✗

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	30	57,7	43	↓	✗	✗
4.2 Security of Property Rights	62	43,1	63	↓	✗	✗
4.3 Quality of Legal Enforcement	71	28,2	73	↓	✗	✗

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	28	67,1	34	↓	✗	✗
5.2 Labor Market Rigidities	28	76,8	25	↑	✗	✗
5.3 Bribing and Corruption	78	9,6	77	↑	✗	✗

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	61	30,2	56	↑	✗	✗
6.2 Scientific and Technical Journal Articles	58	44,9	58	→	✗	✗
6.3 Ease of Starting and Running a Business	64	69,6	64	→	✗	✗
6.4 Simplicity of Closing a Business	61	48,1	64	↓	✗	✗
6.5 Corporate R&D	64	31,1	42	↑	✗	✗

# Korea, South

Capital: Seoul ++ Official Language: Korean ++ Currency: South Korean Won

## Basic Facts



GDP	991 [bn USD]	IPO Volume	4th 1st
Population	49 [mn]	M&A Volume	4th 1st
GDP Growth	'04 ■■■■■ '10	VC Activity	4th 1st
Pop. Growth	'04 ■■■■■ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Solid, diversified economy with high standard of education
- Globally competitive in many major manufacturing sectors, such as electronics, telecoms, automobile, shipbuilding and nuclear power
- Increasingly strong trade links with China
- Among the most efficient and transparent markets in the world for availability of credit

### Weaknesses

- Economic dynamism concentrated in manufacturing and technology sectors. The service sectors have created relatively fewer new jobs during the recovery
- Steady reduction in FDI inflows over the last five years, suggesting an increasingly challenging business environment for foreign investors
- Large amount of debt in 2006-08 for the non-financial corporate sector
- Relatively high loan to deposit ratio of banks
- Some companies encumbered by inflexible practices, including boards that have comparatively less accountability for corporate actions
- A strong union culture, making labor restructuring difficult and the high cost of firing

### Opportunities

- Medium-term growth outlook among the highest of the large economies
- Corporate restructuring
- Major expansion in new sectors promoted by the Government, such as green energy

### Threats

- Dominance of the economy by the large conglomerates, making it relatively more difficult for new firms to grow, either in existing or new industries
- Perception that tensions with North Korea will raise the risk of potentially challenging developments in the Korean peninsula

### Outlook

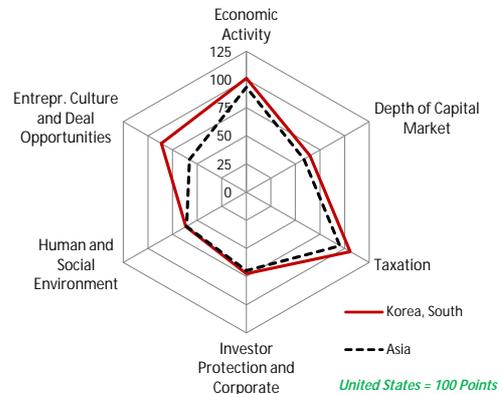
- Korea has a positive medium-term growth outlook, given its strengths in technology and boost from China; however, this has been reflected in sharply rising equity prices, which are now above their 2007 peaks
- Significant pressure on the exchange rate to appreciate could trigger further capital control measures

Ki Whan Jung, Ernst & Young  
ki-whan.jung@kr.ey.com

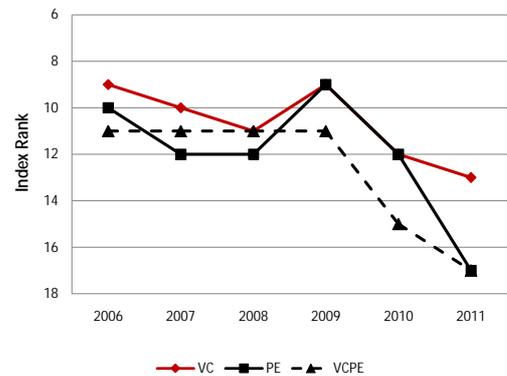
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	11	75,7	17	↓	■ ■ ■ ■
Economic Activity	16	101,0	3	↑	■ ■ ■ ■
Depth of Capital Market	12	64,8	18	↓	■ ■ ■ ■
Taxation	24	105,5	24	→	■ ■ ■ ■
Inv. Prot./Corp. Gov.	21	72,3	30	↓	■ ■ ■ ■
Human/Social Env.	24	61,4	35	↓	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	8	86,4	12	↓	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Singapore	2	92,4	4	↓	■ ■ ■ ■
Japan	6	90,9	6	→	■ ■ ■ ■
Hong Kong	15	76,5	16	↓	■ ■ ■ ■
<b>Korea, South</b>	11	75,7	17	↓	■ ■ ■ ■
China	25	72,3	20	↑	■ ■ ■ ■
Malaysia	21	72,5	18	↑	■ ■ ■ ■
Taiwan	27	62,4	27	→	■ ■ ■ ■
India	26	61,4	30	↓	■ ■ ■ ■
Thailand	28	59,3	34	↓	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	12	66,4	15	↓	■	■
1.2 Medium-Term Real GDP Growth	52	121,1	26	↑	■	■
1.3 Unemployment	8	128,1	4	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	20	75,1	21	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	11	61,4	5	↑	■	■
2.3 IPO Market Activity	10	68,3	9	↑	■	■
2.4 M&A Market Activity	15	75,0	7	↑	■	■
2.5 Debt and Credit Market	20	60,8	49	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	14	113,0	13	↑	■	■
2.7 Financial Market Sophistication	31	29,4	66	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	24	105,5	24	→	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	24	54,9	47	↓	■	■
4.2 Security of Property Rights	15	84,7	22	↓	■	■
4.3 Quality of Legal Enforcement	26	81,3	31	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	18	69,4	31	↓	■	■
5.2 Labor Market Rigidities	50	47,0	61	↓	■	■
5.3 Bribing and Corruption	31	71,1	31	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	12	76,6	19	↓	■	■
6.2 Scientific and Technical Journal Articles	10	79,5	10	→	■	■
6.3 Ease of Starting and Running a Business	30	94,4	33	↓	■	■
6.4 Simplicity of Closing a Business	10	104,4	11	↓	■	■
6.5 Corporate R&D	4	80,3	7	↓	■	■

# Kuwait

Capital: Kuwait City ++ Official Language: Arabic ++ Currency: Kuwaiti Dinar

## Basic Facts



GDP	126 [bn USD]	IPO Volume	4th
Population	2 [mn]	M&A Volume	1st
GDP Growth	'04 - - - - '10	VC Activity	
Pop. Growth	'04 ■■■■■■■■ '10	PE Activity	

## SWOT Analysis

### Strengths

- Independent monetary policy
- Fiscal surplus on account of oil wealth

### Weaknesses

- Vulnerability to world oil prices: oil accounts for about 50% of GDP, more than 80% of government revenues and over 90% of total export earnings, with the non-oil economy still relatively underdeveloped
- Limited success of attempts to "Kuwaitize" private sector employment
- Severe impact of global financial crisis on Kuwaiti banks; elevated exposure to the Dubai World crisis will continue to weigh in on lending growth in the future

### Opportunities

- Inflation has decreased, reducing the risks to consumer spending
- The Government has ample assets in sovereign wealth and reserve funds to keep the economy afloat in spite of lower oil prices

### Threats

- Kuwait is over-reliant on the hydrocarbon sector
- As the sole state in the GCC region that promotes a quasi-democratic regime, its political risk profile also remains a key threat, which in turn could damage investor sentiment

### Outlook

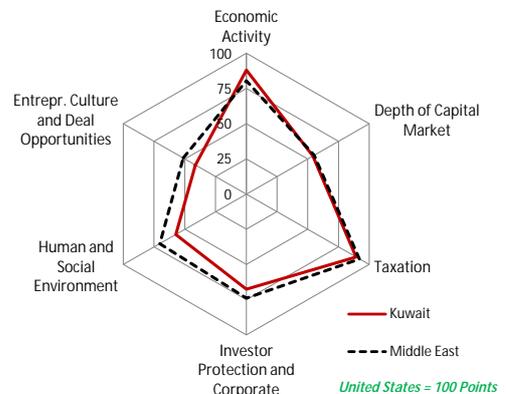
- Kuwait's political risk profile remains a key threat that could hurt investor sentiment
- Kuwait is an attractive staging point for companies and investors interested doing business in Iraq

Varun Sharma, Ernst & Young  
varun.sharma@kw.ey.com

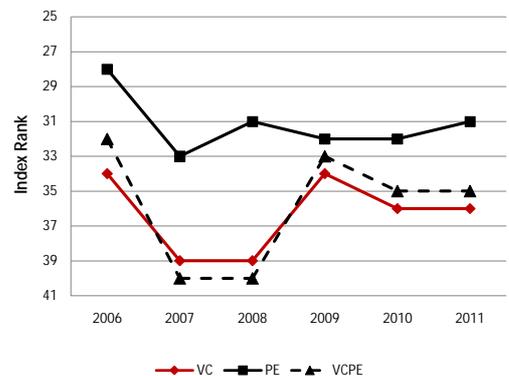
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	<b>40</b>	<b>57,9</b>	<b>35</b>		↑	■ ■ ■ ■
Economic Activity	7	88,2	28		↓	■ ■ ■ ■
Depth of Capital Market	41	54,2	29		↑	■ ■ ■ ■
Taxation	78	89,3	66		↑	■ ■ ■ ■
Inv. Prot./Corp. Gov.	34	67,6	36		↓	■ ■ ■ ■
Human/Social Env.	35	57,3	39		↓	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	48	41,4	53		↓	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
Israel	19	72,2	21		↓	■ ■ ■ ■
Saudi Arabia	36	67,5	25		↑	■ ■ ■ ■
United Arab Emirates	33	61,6	28		↑	■ ■ ■ ■
<b>Kuwait</b>	<b>40</b>	<b>57,9</b>	<b>35</b>		↑	■ ■ ■ ■
Jordan	42	53,2	38		↑	■ ■ ■ ■
Oman	51	45,6	46		↑	■ ■ ■ ■
Bahrain	58	44,3	50		↑	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	51	40,8	54	↓	■	■
1.2 Medium-Term Real GDP Growth	10	119,9	30	↓	■	■
1.3 Unemployment	2	140,2	1	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	22	73,7	22	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	27	32,9	21	↑	■	■
2.3 IPO Market Activity	54	29,8	43	↑	■	■
2.4 M&A Market Activity	63	39,3	53	↑	■	■
2.5 Debt and Credit Market	36	71,2	33	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	51	99,3	41	↑	■	■
2.7 Financial Market Sophistication	37	68,2	36	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	78	89,3	66	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	34	51,3	53	↓	■	■
4.2 Security of Property Rights	38	75,1	33	↑	■	■
4.3 Quality of Legal Enforcement	28	80,1	32	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	58	43,1	57	↑	■	■
5.2 Labor Market Rigidities	12	80,9	19	↓	■	■
5.3 Bribing and Corruption	36	54,1	45	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	53	28,4	58	↓	■	■
6.2 Scientific and Technical Journal Articles	56	45,1	56	→	■	■
6.3 Ease of Starting and Running a Business	59	64,0	68	↓	■	■
6.4 Simplicity of Closing a Business	35	65,0	46	↓	■	■
6.5 Corporate R&D	54	22,7	52	↑	■	■

# Kyrgyzstan

Capital: Bishkek ++ Official Language: Kyrgyz, Russian ++ Currency: Som

## Basic Facts



GDP	5 [bn USD]	IPO Volume	4th
Population	6 [mn]	M&A Volume	1st
GDP Growth	'04 - '10	VC Activity	
Pop. Growth	'04 - '10	PE Activity	

## SWOT Analysis

### Strengths

- High growth potential, estimated around 8% per year before the crisis
- Gold deposits, with gold mining contributing 10%-15% to GDP
- Strong IMF support and financial support from international donors
- Favorable corporate disclosure practices and director liability rules
- Efficient legislation for new business starts

### Weaknesses

- Very low GDP per capita and a small economy with GDP of less than US\$5b
- Low investor confidence caused by the nationalization of the largest private bank and six others under temporary administration
- Insufficient independence for the Kyrgyz Central Bank to conduct monetary policy successfully

### Opportunities

- Privatization in energy, telecommunications and financial sectors
- Energy infrastructure-related investments are estimated to reach US\$550m between 2011-13, according to the IMF
- Potential membership of the Customs Union, with Russia, Kazakhstan and Belarus

### Threats

- A political crisis escalated in 2010 that culminated in the establishment of a new parliamentary democracy; ethnic tensions are still high and, if political and social tensions persist, this would have a detrimental impact on growth
- Dependence on stability in other economies: around 40% of GDP is generated by remittances from Kyrgyz working abroad, mainly in Russia
- Kyrgyzstan is at the center of US-Russian rivalry for control of conflict-prone Central Asia; both powers have military bases in the country

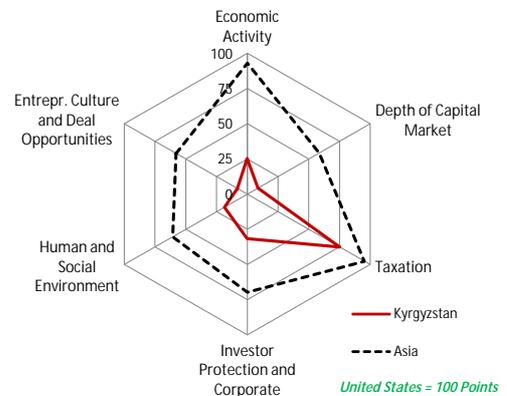
### Outlook

- Addressing the immediate effects of the political crisis has required a considerable increase in public spending which the IMF estimated at over 4% of GDP; this has resulted in a steep deterioration of the budget deficit
- Very poor outlook for the VCPE markets with low scores on most criteria: a small economy, with high political risk, undeveloped capital markets, perceived high levels of bribery and corruption, an unattractive taxation system and a low level of legal enforcement

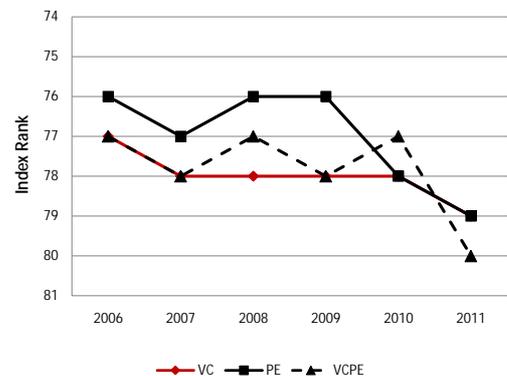
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>78</b>	<b>14,4</b>	<b>80</b>	↓	✗
Economic Activity	79	25,4	77	↑	✗
Depth of Capital Market	75	8,7	77	↓	✗
Taxation	72	75,2	74	↓	✗
Inv. Prot./Corp. Gov.	72	31,6	74	↓	✗
Human/Social Env.	78	18,5	77	↑	✗
Entrepr. Cult./Deal Opp.	78	8,0	80	↓	✗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
India	26	61,4	30	↓	✗
Thailand	28	59,3	34	↓	✗
Russian Federation	37	51,1	41	↓	✗
Indonesia	59	45,2	48	↑	✗
Vietnam	62	42,2	53	↑	✗
Philippines	53	41,2	58	↓	✗
Kazakhstan	54	39,1	61	↓	✗
Armenia	72	25,3	71	↑	✗
<b>Kyrgyzstan</b>	<b>78</b>	<b>14,4</b>	<b>80</b>	<b>↓</b>	<b>✗</b>

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	80	1,0	80	→	✗	✗
1.2 Medium-Term Real GDP Growth	64	150,6	10	↑	✗	✗
1.3 Unemployment	50	108,5	35	↑	✗	✗

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	76	10,8	76	→	✗	✗
2.2 Stock Market Liquidity (Trading Volume)	58	2,0	64	↓	✗	✗
2.3 IPO Market Activity	66	1,0	67	↓	✗	✗
2.4 M&A Market Activity	75	5,7	79	↓	✗	✗
2.5 Debt and Credit Market	68	29,1	74	↓	✗	✗
2.6 Bank Non-Performing Loans to Total Gross Loans	59	85,6	67	↓	✗	✗
2.7 Financial Market Sophistication	76	11,8	75	↑	✗	✗

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	72	75,2	74	↓	✗	✗

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	50	71,6	24	↑	✗	✗
4.2 Security of Property Rights	73	17,2	74	↓	✗	✗
4.3 Quality of Legal Enforcement	76	25,7	75	↑	✗	✗

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	69	21,8	77	↓	✗	✗
5.2 Labor Market Rigidities	30	79,0	21	↑	✗	✗
5.3 Bribing and Corruption	80	3,7	79	↑	✗	✗

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	77	4,9	79	↓	✗	✗
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	✗	✗
6.3 Ease of Starting and Running a Business	46	94,6	31	↑	✗	✗
6.4 Simplicity of Closing a Business	67	43,6	68	↓	✗	✗
6.5 Corporate R&D	76	1,6	80	↓	✗	✗

# Latvia

Capital: Riga ++ Official Language: Latvian ++ Currency: Latvian Lat

## Basic Facts



GDP	24 [bn USD]	IPO Volume	4th	1st
Population	2 [mn]	M&A Volume	✗	✗
GDP Growth	'04 - - - - - '10	VC Activity	✗	✗
Pop. Growth	'04 ■■■■■ '10	PE Activity	✗	✗

## SWOT Analysis

### Strengths

- Joint European resources for micro to medium enterprises (JEREMIE) initiative has increased start-up and expansion funding for companies with exceptional growth potential
- Stable political backdrop
- Transparent and relatively efficient legal system
- Despite recent tax increases, the tax system in Latvia remains attractive in a regional context for potential investors

### Weaknesses

- The Latvian VC sector is underdeveloped compared with other European countries, in part due to illiquid financial markets
- The default of some aggressively leveraged PE investments (made prior to the downturn) has had a negative effect on the reputation of Latvia's PE sector
- The IMF bailout means that the Government's management of the economy is hindered by significant fiscal restrictions

### Opportunities

- Eurozone entry in 2014 could provide greater economic stability
- Latvia is keen to develop trade links with Russia
- As a result of economic crisis, the banking sector has refocused from financing real estate development to productive and export-oriented economy sectors

### Threats

- The fallout from the banking collapse and subsequent slow economic recovery has constrained banking liquidity
- The cycle of slow lending, depressed assets and falling real incomes might be difficult to break
- Longer-term growth prospects hindered by falling population and structurally high unemployment

### Outlook

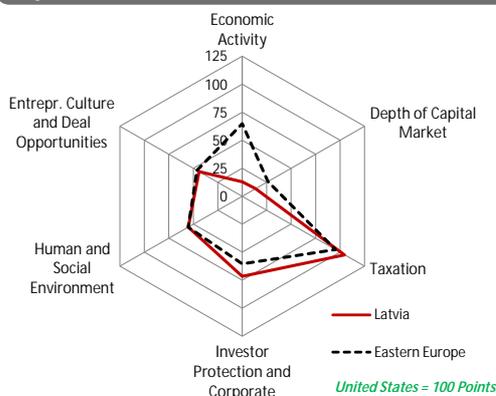
- The economic backdrop remains challenging, but this may offer investors attractive valuations
- Foreign VCPE Houses are likely to be attracted back to Latvia if it can demonstrate that its economy is firmly on the road to recovery, as indicated by the recently increasing number of ongoing transactions by PE Houses

Raimonds Kulbergs, Ernst & Young Baltic SIA  
 raimonds.kulbergs@lv.ey.com

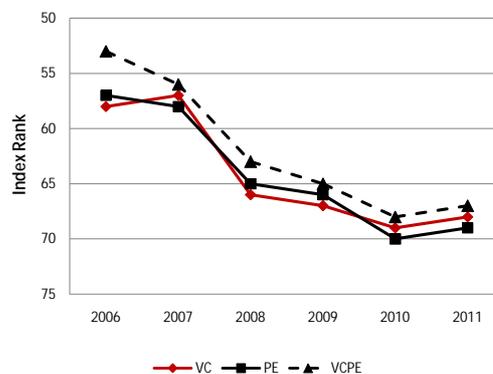
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>56</b>	<b>29,4</b>	<b>67</b>	↓	✗
Economic Activity	22	12,8	79	↓	✗
Depth of Capital Market	61	13,6	66	↓	✗
Taxation	38	104,4	26	↑	✗
Inv. Prot./Corp. Gov.	29	71,4	33	↓	✗
Human/Social Env.	45	55,1	41	↑	✗
Entrepr. Cult./Deal Opp.	61	44,1	49	↑	✗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Croatia	55	43,4	52	↑	✗
Romania	47	41,0	60	↓	✗
Lithuania	46	41,3	57	↓	✗
Slovakia	48	39,1	62	↓	✗
<b>Latvia</b>	<b>56</b>	<b>29,4</b>	<b>67</b>	↓	✗
Ukraine	67	27,8	68	↓	✗
Georgia	68	27,2	69	↓	✗
Moldova	71	22,0	72	↓	✗
Macedonia	75	19,3	73	↑	✗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	67	20,2	69	↓	☒	☐
1.2 Medium-Term Real GDP Growth	4	2,0	80	↓	☒	☐
1.3 Unemployment	33	53,2	75	↓	☒	☐

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	69	18,4	72	↓	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	70	1,2	72	↓	☒	☐
2.3 IPO Market Activity	57	1,0	67	↓	☒	☐
2.4 M&A Market Activity	70	20,2	65	↑	☒	☐
2.5 Debt and Credit Market	38	50,1	65	↓	☒	☐
2.6 Bank Non-Performing Loans to Total Gross Loans	8	95,9	50	↓	☒	☐
2.7 Financial Market Sophistication	44	40,0	56	↓	☒	☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	38	104,4	26	↑	☐	☒

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	17	70,0	25	↓	☐	☒
4.2 Security of Property Rights	35	73,3	34	↑	☐	☒
4.3 Quality of Legal Enforcement	40	71,0	39	↑	☐	☒

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	50	55,3	40	↑	☐	☒
5.2 Labor Market Rigidities	55	55,7	52	↑	☐	☒
5.3 Bribing and Corruption	42	54,5	44	↓	☐	☒

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	56	37,2	46	↑	☐	☒
6.2 Scientific and Technical Journal Articles	65	40,6	65	→	☒	☐
6.3 Ease of Starting and Running a Business	21	94,9	27	↓	☐	☒
6.4 Simplicity of Closing a Business	47	61,6	53	↓	☐	☒
6.5 Corporate R&D	75	18,7	57	↑	☐	☒



## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	65	25,0	66	↓	☒	☐
1.2 Medium-Term Real GDP Growth	16	48,7	78	↓	☒	☐
1.3 Unemployment	26	61,6	73	↓	☒	☐

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	60	22,3	67	↓	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	51	1,6	68	↓	☒	☐
2.3 IPO Market Activity	65	11,9	63	↑	☒	☐
2.4 M&A Market Activity	55	30,2	57	↓	☒	☐
2.5 Debt and Credit Market	32	57,2	53	↓	☒	☐
2.6 Bank Non-Performing Loans to Total Gross Loans	20	89,0	61	↓	☒	☐
2.7 Financial Market Sophistication	49	47,1	54	↓	☒	☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	9	103,2	32	↓	☒	☐

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	33	62,4	35	↓	☒	☐
4.2 Security of Property Rights	28	70,3	38	↓	☒	☐
4.3 Quality of Legal Enforcement	45	66,9	44	↑	☒	☐

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	37	58,7	39	↓	☒	☐
5.2 Labor Market Rigidities	63	46,0	63	→	☒	☐
5.3 Bribing and Corruption	43	55,3	41	↑	☒	☐

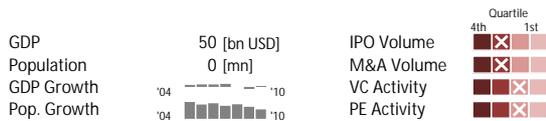
### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	45	43,7	35	↑	☒	☐
6.2 Scientific and Technical Journal Articles	51	49,6	51	→	☒	☐
6.3 Ease of Starting and Running a Business	26	92,4	37	↓	☒	☐
6.4 Simplicity of Closing a Business	25	86,6	23	↑	☒	☐
6.5 Corporate R&D	51	19,6	56	↓	☒	☐

# Luxembourg

Capital: Luxembourg ++ Official Language: Luxembourghish, French, German ++ Currency: Euro

## Basic Facts



## SWOT Analysis

### Strengths

- Multilingual and internationally oriented qualified workforce
- No constraints applicable to pension funds when investing in VCPE, and no geographical restrictions for investments outside Luxembourg
- Favorable tax policy for investments in VCPE, including new exemption from subscription tax for all microfinance investment vehicles, intellectual property and R&D expenditures
- Complete portfolio of products enabling maximum flexibility in legal, tax and operational structuring

### Weaknesses

- Lack of specific tax rate for SMEs
- Limited deal flow
- Fiscal incentives to support investment in R&D at company level could be enhanced

### Opportunities

- AIFM Directive: track record in PE-regulated products with independent depository, re-domiciliation of businesses looking for an onshore European VCPE fund label, mobilization of all industry players to ensure swift and pragmatic implementation process with a view to turning AIFM into a powerful marketing brand for cross-border distribution of VCPE funds
- Stock options tax treatment could be used to support talent retention in investee company
- VCPE structures are very relevant for investment in distressed and impact finance (e.g., cleantech, microfinance, renewable energies)
- Modernization of the limited partnership regime

### Threats

- Duplication of available products and tax incentives by competitive locations
- Treaty access requires strict compliance with substance requirements
- Constraints imposed on non-EU managers for the distribution of their Luxembourg funds within Europe by the AIFM Directive

### Outlook

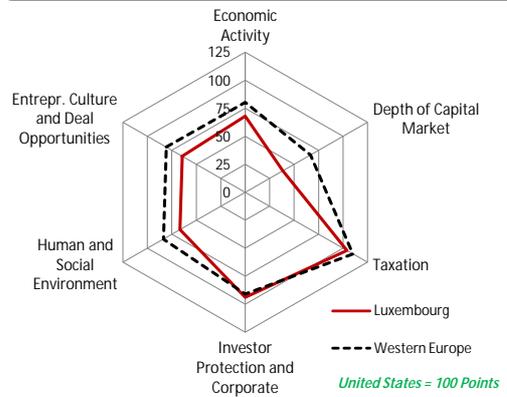
- Thanks to a tradition of innovation and the client-focused attitude of authorities, Luxembourg has managed to position itself as a major center for VCPE onshore investment and fund structuring in Europe

Axelle Ferey, Ernst & Young  
axelle.ferey@lu.ey.com

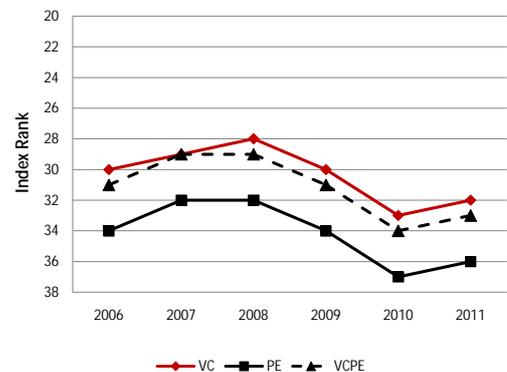
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>29</b>	<b>59,3</b>	<b>33</b>	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Economic Activity	43	67,8	59	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Depth of Capital Market	43	38,3	46	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Taxation	23	103,8	29	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Inv. Prot./Corp. Gov.	17	93,8	15	↑	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Human/Social Env.	33	66,6	27	↑	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Entrepr. Cult./Deal Opp.	25	64,1	26	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
France	17	79,6	14	↑	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Belgium	18	76,8	15	↑	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Austria	23	71,7	22	↑	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Spain	20	69,1	23	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Ireland	14	67,7	24	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Portugal	38	60,4	31	↑	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Italy	32	59,6	32	→	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
<b>Luxembourg</b>	<b>29</b>	<b>59,3</b>	<b>33</b>	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Greece	39	47,9	44	↓	■ ■ ■ ■ ■ ■ ■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	59	29,4	62	↓	☒	☒
1.2 Medium-Term Real GDP Growth	46	88,5	61	↓	☒	☒
1.3 Unemployment	19	119,6	15	↑	☒	☒

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	19	78,1	18	↑	☒	☒
2.2 Stock Market Liquidity (Trading Volume)	71	2,4	60	↑	☒	☒
2.3 IPO Market Activity	27	30,9	41	↓	☒	☒
2.4 M&A Market Activity	48	43,9	44	↑	☒	☒
2.5 Debt and Credit Market	65	35,5	73	↓	☒	☒
2.6 Bank Non-Performing Loans to Total Gross Loans	1	119,2	1	→	☒	☒
2.7 Financial Market Sophistication	3	114,1	2	↑	☒	☒

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	23	103,8	29	↓	☒	☒

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	35	63,6	34	↑	☒	☒
4.2 Security of Property Rights	12	109,6	5	↑	☒	☒
4.3 Quality of Legal Enforcement	10	118,6	12	↓	☒	☒

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	34	75,7	25	↑	☒	☒
5.2 Labor Market Rigidities	74	32,2	72	↑	☒	☒
5.3 Bribing and Corruption	11	120,9	11	→	☒	☒

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	19	84,6	14	↑	☒	☒
6.2 Scientific and Technical Journal Articles	70	34,0	70	→	☒	☒
6.3 Ease of Starting and Running a Business	15	98,7	21	↓	☒	☒
6.4 Simplicity of Closing a Business	37	72,9	37	→	☒	☒
6.5 Corporate R&D	28	52,2	25	↑	☒	☒

# Macedonia

Capital: Skopje ++ Official Language: Macedonian ++ Currency: Macedonian Denar

## Basic Facts



GDP	9 [bn USD]	IPO Volume	4th 1st
Population	2 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - - - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Framework for economic stability provided by tight fiscal and monetary policy
- Large-scale privatization program, with private sector accounting for around 80% of output and employment
- Relatively robust medium-term growth outlook due to high capital spending
- Relative ease of setting up a business
- Ongoing support from the European Investment Bank contributing to finance for big infrastructure projects

### Weaknesses

- Unemployment rate of more than 30%
- Development of capital markets in its infancy
- Large informal economy with limited scope for tax receipts
- Weak judicial system threatening political stability
- Poor enforcement of property rights

### Opportunities

- The 2011 budget includes a large increase in spending on health, education, transport and infrastructure
- A new anti-crisis package will improve access to credit for SMEs
- The Government abolished the 10% ceiling on foreign investment on the Skopje Stock Exchange
- Macedonia entered the Schengen Agreement in December 2009, providing greater opportunities for cross-border travel
- Progress in EU accession has been a priority under the Hungarian EU presidency

### Threats

- A deterioration in the Eurozone could stall the export-driven recovery
- A wide trade deficit leaves the economy vulnerable to external shocks
- Market reform laws have been implemented ineffectively

### Outlook

- In the medium term, GDP growth is expected to average more than 4%
- Privatization and high capital spending will create opportunities for VCPE in the near term
- Risks come from the uncertainty of the economic outlook, as well as from a weak judicial system and concerns surrounding the enforcement of property rights

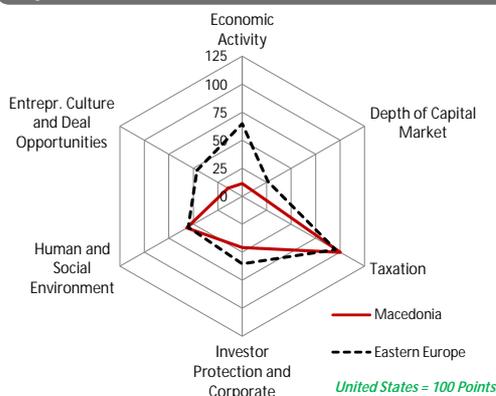
Fotis Demetriou, Ernst & Young  
fotis.demetriou@gr.ey.com

Kalina Sukarova, Ernst & Young  
kalina.sukarova@mk.ey.com

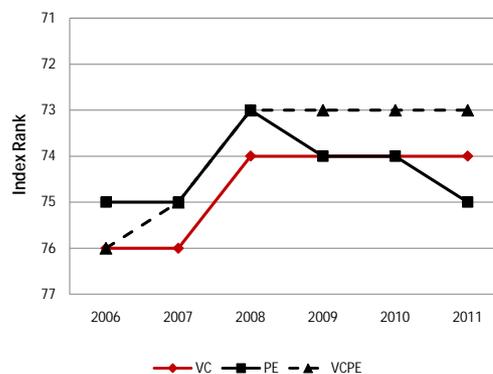
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>75</b>	<b>19,3</b>	<b>73</b>	↑	⊗
Economic Activity	80	11,2	80	→	⊗
Depth of Capital Market	70	10,3	74	↓	⊗
Taxation	46	100,2	39	↑	⊗
Inv. Prot./Corp. Gov.	63	45,9	56	↑	⊗
Human/Social Env.	59	56,6	40	↑	⊗
Entrepr. Cult./Deal Opp.	76	14,5	74	↑	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Lithuania	46	41,3	57	↓	⊗
Slovakia	48	39,1	62	↓	⊗
Latvia	56	29,4	67	↓	⊗
Ukraine	67	27,8	68	↓	⊗
Georgia	68	27,2	69	↓	⊗
Moldova	71	22,0	72	↓	⊗
<b>Macedonia</b>	<b>75</b>	<b>19,3</b>	<b>73</b>	↑	⊗
Albania	79	17,8	75	↑	⊗
Bosnia-Herzegovina	77	17,3	76	↑	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	78	8,5	77	↑	☒	☐
1.2 Medium-Term Real GDP Growth	57	117,8	33	↑	☐	☒
1.3 Unemployment	80	1,4	80	→	☒	☐

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	66	23,3	65	↑	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	60	1,8	66	↓	☒	☐
2.3 IPO Market Activity	66	1,0	67	↓	☒	☐
2.4 M&A Market Activity	66	7,7	76	↓	☒	☐
2.5 Debt and Credit Market	67	44,4	67	→	☒	☐
2.6 Bank Non-Performing Loans to Total Gross Loans	75	73,9	74	↑	☒	☐
2.7 Financial Market Sophistication	70	11,8	75	↓	☒	☐

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	46	100,2	39	↑	☐	☒

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	40	60,9	37	↑	☐	☒
4.2 Security of Property Rights	67	41,9	64	↑	☒	☐
4.3 Quality of Legal Enforcement	69	37,8	66	↑	☒	☐

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	53	52,5	46	↑	☐	☒
5.2 Labor Market Rigidities	57	81,9	18	↑	☐	☒
5.3 Bribing and Corruption	64	42,2	52	↑	☐	☒

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	71	22,5	65	↑	☒	☐
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	☒	☐
6.3 Ease of Starting and Running a Business	62	100,9	16	↑	☐	☒
6.4 Simplicity of Closing a Business	72	44,1	67	↑	☒	☐
6.5 Corporate R&D	72	6,3	73	↓	☒	☐

# Malaysia

Capital: Kuala Lumpur ++ Official Language: Bahasa Melayu ++ Currency: Malaysian Ringgit

## Basic Facts



GDP	213 [bn USD]	IPO Volume	4th 1st
Population	29 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - '10	VC Activity	4th 1st
Pop. Growth	'04 - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Established regulatory framework and financial markets, both conventional and Islamic
- Government support and tax incentives for the VCPE industry

### Weaknesses

- Sources of capital come predominantly from government agencies
- Governmental and regulatory approval processes for movement of capital and labor remain suboptimal despite current liberalization measures
- Government-linked investment corporations (GLICs) and government-linked companies (GLCs) continue to add to their portfolios through direct investments, which stiffens competition for larger deals
- Local PE and VC managers' skills can be improved

### Opportunities

- The Government's Economic Transformation Program will see large and diversified conglomerates and GLCs continue to rebalance their portfolios through divestment of non-core businesses and through partnerships with private corporations/equity
- Several GLICs hold substantial direct investments in related enterprises which provide attractive consolidation opportunities
- Liberalization of foreign equity restrictions should widen the spectrum of opportunities in PIPEs and buyouts by foreign funds

### Threats

- Increased competition for already limited quality deals by special purpose acquisition companies (SPACs) that raise public capital
- Government-driven national PE management company's (Ekuinas') participation in direct investments as well as acting as fund of funds

### Outlook

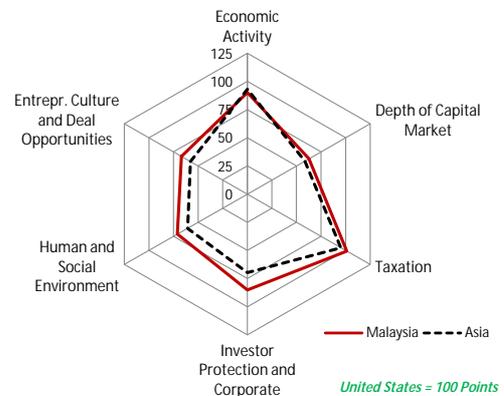
- Cautious optimism is returning, but competition in the industry is likely to increase

Kevin Chew, Ernst & Young  
 kevin.chew@my.ey.com

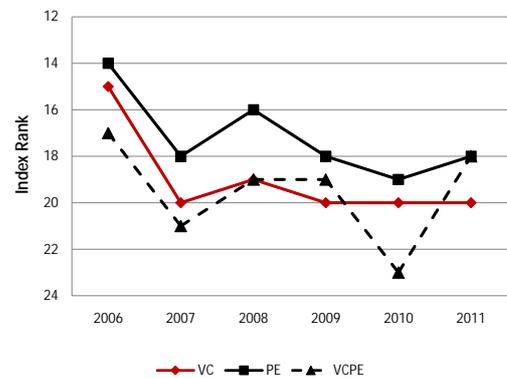
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	21	72,5	18	↑	4th 1st
Economic Activity	17	90,1	19	↓	4th 1st
Depth of Capital Market	20	62,9	21	↓	4th 1st
Taxation	45	101,2	38	↑	4th 1st
Inv. Prot./Corp. Gov.	19	85,1	20	↓	4th 1st
Human/Social Env.	19	71,2	24	↓	4th 1st
Entrepr. Cult./Deal Opp.	23	66,9	22	↑	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Hong Kong	15	76,5	16	↓	4th 1st
Korea, South	11	75,7	17	↓	4th 1st
China	25	72,3	20	↑	4th 1st
<b>Malaysia</b>	21	72,5	18	↑	4th 1st
Taiwan	27	62,4	27	→	4th 1st
India	26	61,4	30	↓	4th 1st
Thailand	28	59,3	34	↓	4th 1st
Russian Federation	37	51,1	41	↓	4th 1st
Indonesia	59	45,2	48	↑	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	39	47,3	40	↓	■	■
1.2 Medium-Term Real GDP Growth	29	123,0	25	↑	■	■
1.3 Unemployment	6	125,9	6	→	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	10	89,8	8	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	32	15,9	32	→	■	■
2.3 IPO Market Activity	12	56,6	17	↓	■	■
2.4 M&A Market Activity	14	67,9	16	↓	■	■
2.5 Debt and Credit Market	11	94,0	6	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	71	87,6	62	↑	■	■
2.7 Financial Market Sophistication	28	85,9	20	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	45	101,2	38	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	4	110,6	4	→	■	■
4.2 Security of Property Rights	31	72,8	36	↓	■	■
4.3 Quality of Legal Enforcement	32	76,6	36	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	17	84,8	20	↓	■	■
5.2 Labor Market Rigidities	19	75,0	30	↓	■	■
5.3 Bribing and Corruption	35	56,7	40	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	22	64,1	24	↓	■	■
6.2 Scientific and Technical Journal Articles	45	53,0	45	→	■	■
6.3 Ease of Starting and Running a Business	20	97,0	24	↓	■	■
6.4 Simplicity of Closing a Business	40	69,6	40	→	■	■
6.5 Corporate R&D	21	58,4	21	→	■	■

# Mexico

Capital: Mexico City ++ Official Language: Spanish ++ Currency: Mexican Peso

## Basic Facts



GDP	996 [bn USD]	IPO Volume	
Population	109 [mn]	M&A Volume	
GDP Growth	'04 - - - - - '10	VC Activity	
Pop. Growth	'04 ■■■■■■ '10	PE Activity	

## SWOT Analysis

### Strengths

- Tax treatments present advantages for certain aspects of PE/VC investment
- Quality of accounting standards, which are generally in line with international standards
- Adoption of IFRS for listed companies scheduled for 2012

### Weaknesses

- Lack of proper VCPE fund formation and operation regulations
- Weak enforcement of the protection of IP law
- IPOs remain a difficult and unattractive exit option for VCPE investments
- Perception of slow judicial system

### Threats

- High perception of corruption
- Concerns about the ability of the authorities to control the drug trade
- Increased drug-related violence could discourage new ventures

### Opportunities

- Regulation provides strong protection for minority shareholder's rights
- Recently adopted reforms in the investment regime of pension funds (Afores) now allow pension funds to invest in PE/VC funds.
- Improvement in the amount and quality of entrepreneurial activity, including programs sponsored by the Government
- Low inflation levels
- Mexico presents a favorable commercial environment with a large and increasingly sophisticated domestic market, making it a growing destination for trade and investment

### Outlook

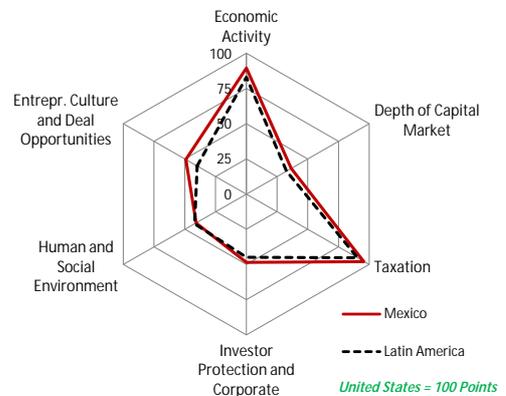
- The economy remains overly reliant on US demand, and is closely tied to the US economic cycle, leaving the country vulnerable to economic difficulties in the US
- GDP growth prospects for 2011 and beyond assume a lower contribution of exports and an increasing role of local demand
- Capital inflow levels are expected to return progressively to pre-crisis levels
- The local environment is well positioned to assimilate the presidential elections scheduled for 2012

Victor A. Tiburcio, Ernst & Young  
 Alberto.Tiburcio@mx.ey.com

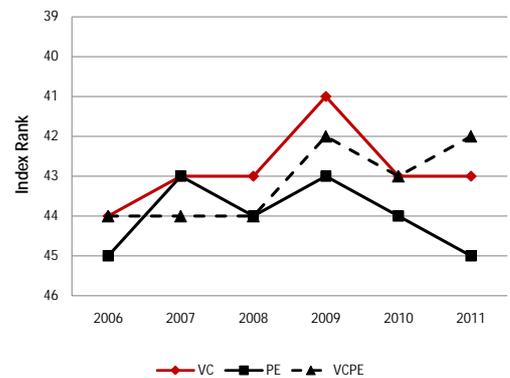
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	44	48,7	42		
Economic Activity	21	89,5	23		
Depth of Capital Market	40	36,6	48		
Taxation	52	95,6	50		
Inv. Prot./Corp. Gov.	66	48,4	53		
Human/Social Env.	58	40,9	57		
Entrepr. Cult./Deal Opp.	31	49,2	39		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Chile	30	61,5	29		
Brazil	57	48,7	43		
Mexico	44	48,7	42		
Colombia	49	45,3	47		
Peru	63	41,1	59		
Uruguay	65	36,8	65		
Argentina	60	36,4	66		
Ecuador	74	17,9	74		
Paraguay	80	15,7	78		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	13	66,5	14	↓	■	■
1.2 Medium-Term Real GDP Growth	58	92,4	59	↓	■	■
1.3 Unemployment	4	117,0	21	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	55	39,4	49	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	49	5,0	49	→	■	■
2.3 IPO Market Activity	32	37,7	35	↓	■	■
2.4 M&A Market Activity	31	56,1	26	↑	■	■
2.5 Debt and Credit Market	54	53,9	62	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	29	98,6	45	↓	■	■
2.7 Financial Market Sophistication	44	40,0	56	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	52	95,6	50	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	75	49,3	56	↑	■	■
4.2 Security of Property Rights	53	51,0	50	↑	■	■
4.3 Quality of Legal Enforcement	57	45,1	58	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	68	38,4	62	↑	■	■
5.2 Labor Market Rigidities	52	53,9	56	↓	■	■
5.3 Bribing and Corruption	56	32,9	61	↓	■	■

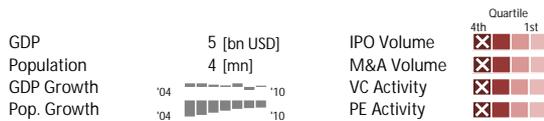
### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	47	23,6	63	↓	■	■
6.2 Scientific and Technical Journal Articles	26	67,9	26	→	■	■
6.3 Ease of Starting and Running a Business	54	77,9	55	↓	■	■
6.4 Simplicity of Closing a Business	26	81,8	27	↓	■	■
6.5 Corporate R&D	37	28,1	46	↓	■	■

# Moldova

Capital: Chisinau ++ Official Language: Moldovan (Romanian) ++ Currency: Moldovan Leu

## Basic Facts



## SWOT Analysis

### Strengths

- Strong recovery of industrial production and trade in 2010
- IMF and EU development assistance ensures financing of external deficit
- Financial sector relatively sound; banks remain liquid with minimal exposure to toxic assets

### Weaknesses

- Europe's poorest country – GDP per person around US\$3,000 (purchasing power parity)
- Underdeveloped private sector
- Non-transparent ownership of banks and inadequate corporate governance
- Limited access to finance for SMEs
- Poor governance and perceived high levels of corruption in public sector and the police
- Weak government: a series of indeterminate elections has left the political direction unclear

### Opportunities

- World Bank support for social assistance, education, justice and infrastructure in 2011; further talks of initiating projects to improve the investment climate and facilitate development of the private sector are under way
- Autonomous trade preferences extended in 2008 – likely to diversify exports and stimulate economic growth
- Simplification of FDI regulations to attract capital inflows from the EU
- 0% Corporate Income Tax and competitive Personal Income Tax rates compared with other countries

### Threats

- Ongoing political tension with Russia over Russian troops in breakaway territory of Transnistria
- Over-dependence on Russia for energy (petroleum, coal and natural gas)
- Unsustainable level of public finances
- High levels of emigration

### Outlook

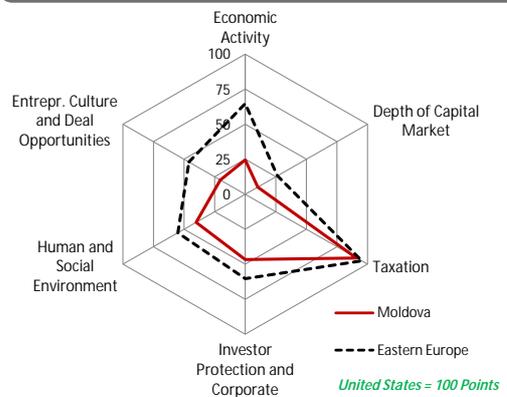
- Economic growth is expected to increase, driven by international demand from main trading partners – particularly the EU
- Upward inflationary pressures due to increases in energy tariffs, depreciation of exchange rate and increase in excise taxes pose risk to growth
- External factors, e.g., high volatility of remittances and uncertainty over export demand, will impact growth, in part because of the trade restrictions (on Moldovan agricultural exports) implemented in Russia

Alexander Milcev, Ernst & Young  
alexander.milcev@ro.ey.com

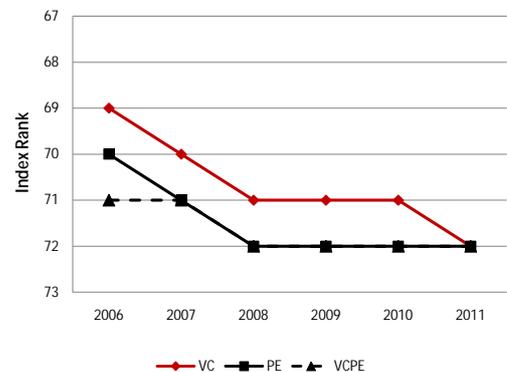
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	71	22,0	72	↓	⊗
Economic Activity	76	24,5	78	↓	⊗
Depth of Capital Market	74	10,2	75	↓	⊗
Taxation	54	90,9	59	↓	⊗
Inv. Prot./Corp. Gov.	54	46,6	55	↓	⊗
Human/Social Env.	61	40,1	58	↑	⊗
Entrepr. Cult./Deal Opp.	68	20,3	71	↓	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Lithuania	46	41,3	57	↓	⊗
Slovakia	48	39,1	62	↓	⊗
Latvia	56	29,4	67	↓	⊗
Ukraine	67	27,8	68	↓	⊗
Georgia	68	27,2	69	↓	⊗
<b>Moldova</b>	71	22,0	72	↓	⊗
Macedonia	75	19,3	73	↑	⊗
Albania	79	17,8	75	↑	⊗
Bosnia-Herzegovina	77	17,3	76	↑	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	79	1,2	79	→	■	■
1.2 Medium-Term Real GDP Growth	25	108,0	42	↓	■	■
1.3 Unemployment	41	116,5	22	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	65	32,4	61	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	68	2,2	61	↑	■	■
2.3 IPO Market Activity	66	1,0	67	↓	■	■
2.4 M&A Market Activity	72	6,7	78	↓	■	■
2.5 Debt and Credit Market	78	15,4	78	→	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	56	84,9	69	↓	■	■
2.7 Financial Market Sophistication	73	18,9	73	→	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	54	90,9	59	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	43	52,1	52	↓	■	■
4.2 Security of Property Rights	52	45,5	60	↓	■	■
4.3 Quality of Legal Enforcement	59	42,8	61	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	70	34,9	66	↑	■	■
5.2 Labor Market Rigidities	46	55,1	53	↓	■	■
5.3 Bribing and Corruption	60	33,6	59	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	65	4,4	80	↓	■	■
6.2 Scientific and Technical Journal Articles	69	37,3	69	→	■	■
6.3 Ease of Starting and Running a Business	47	84,9	47	→	■	■
6.4 Simplicity of Closing a Business	50	65,0	45	↑	■	■
6.5 Corporate R&D	73	3,9	78	↓	■	■

# Morocco

Capital: Rabat ++ Official Language: Arabic ++ Currency: Moroccan Dirham

## Basic Facts



GDP	91 [bn USD]	IPO Volume	
Population	32 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- High economic growth
- Medium-sized stock market and a high level of credit extension to the private sector
- A range of mineral resources, including coal, nickel, uranium, zinc and gold
- Low cost of exports and imports

### Weaknesses

- Low access to financial services for over 65% of the population

### Opportunities

- Depending on stability in the region, with regard to Algeria and the deadlock in the Western Sahara (Africa's longest running territorial dispute), Morocco could follow the lead of other North African countries in strengthening its ties with Europe, while exploiting the opportunities of expanding its enterprises into the rest of the continent
- The country is pursuing membership of the European Union, which could be advantageous for economic growth

### Threats

- Political unrest in Morocco may ensue in connection with the deadlock in the Western Sahara

### Outlook

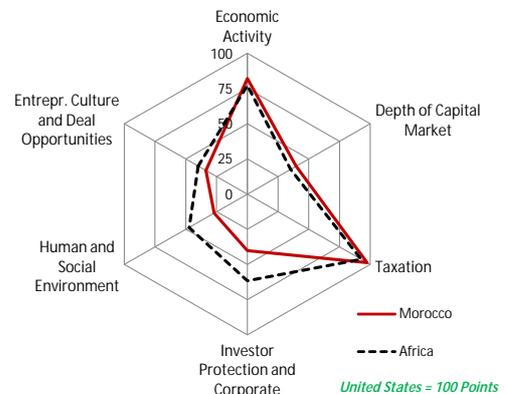
- More Moroccan companies could expand into the rest of the continent, sparking outward corporate activity – one bank is already featured in the Boston Consulting Group's 40 African Challengers
- The economy is expected to recover, although the region is facing an uncertain future in the light of the unrest in Tunisia and Egypt, and relations with Western Sahara

Abdulaziz Al-Sowailim, Ernst & Young  
Abdulaziz.Al-Sowailim@sa.ey.com

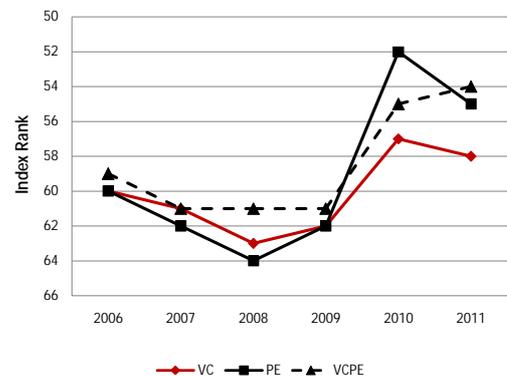
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	61	41,8	54	41,8		
Economic Activity	44	82,1	38	82,1		
Depth of Capital Market	50	39,7	44	39,7		
Taxation	40	97,3	47	97,3		
Inv. Prot./Corp. Gov.	68	40,2	67	40,2		
Human/Social Env.	72	27,0	75	27,0		
Entrepr. Cult./Deal Opp.	63	33,7	61	33,7		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
South Africa	24	66,9	26	66,9		
Egypt	52	41,8	55	41,8		
<b>Morocco</b>	61	41,8	54	41,8		
Tunisia	64	41,5	56	41,5		
Kenya	69	38,3	63	38,3		
Nigeria	66	37,1	64	37,1		
Namibia	70	26,4	70	26,4		
Algeria	76	17,1	77	17,1		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	56	36,7	57	↓	■	■
1.2 Medium-Term Real GDP Growth	42	146,2	12	↑	■	■
1.3 Unemployment	60	103,1	44	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	40	67,4	25	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	41	10,6	39	↑	■	■
2.3 IPO Market Activity	53	19,1	54	↓	■	■
2.4 M&A Market Activity	56	34,3	54	↑	■	■
2.5 Debt and Credit Market	60	71,8	32	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	74	79,4	71	↑	■	■
2.7 Financial Market Sophistication	49	57,7	47	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	40	97,3	47	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	78	19,3	79	↓	■	■
4.2 Security of Property Rights	55	54,3	47	↑	■	■
4.3 Quality of Legal Enforcement	48	62,1	47	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	64	34,7	67	↓	■	■
5.2 Labor Market Rigidities	79	16,7	79	→	■	■
5.3 Bribing and Corruption	58	34,1	58	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	69	20,0	68	↑	■	■
6.2 Scientific and Technical Journal Articles	49	50,3	49	→	■	■
6.3 Ease of Starting and Running a Business	39	94,4	32	↑	■	■
6.4 Simplicity of Closing a Business	46	67,1	42	↑	■	■
6.5 Corporate R&D	69	6,8	69	→	■	■

# Namibia

Capital: Windhoek ++ Official Language: English ++ Currency: Namibian Dollar

## Basic Facts



GDP	10 [bn USD]	IPO Volume	4th
Population	2 [mn]	M&A Volume	1st
GDP Growth	'04 - '10	VC Activity	
Pop. Growth	'04 - '10	PE Activity	

## SWOT Analysis

### Strengths

- Strong and growing mining industry
- Reasonably liquid stock market with some cross-listings from neighboring South Africa

### Weaknesses

- Despite growth in the mining industry, the Mining Charter, currently under consideration, could slow down some of the corporate activity

### Opportunities

- Corporate activity in Africa is expected to recover, with mining seeing the most of the action thanks to growth in uranium and diamond mining

### Threats

- Recovery of the mining industry is not as quick as expected

### Outlook

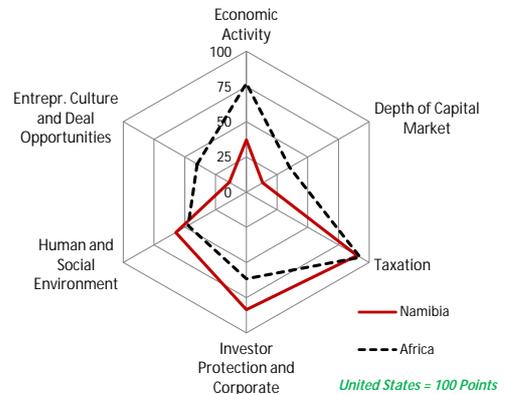
- Namibia's economic activity will continue to track that of South Africa: for example, in interest rate movements and currency fluctuations
- Considering the upward trend in Africa's economies, Namibia is well positioned to grow over the next couple of years

Gerhard Fourie, Ernst & Young  
gerhard.fourie@za.ey.com

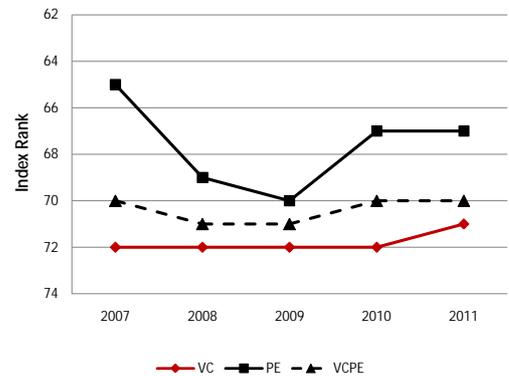
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	<b>70</b>	<b>26,4</b>	<b>70</b>	<b>26,4</b>	→	⊗
Economic Activity	74	37,1	75	37,1	↓	⊗
Depth of Capital Market	68	13,3	68	13,3	→	⊗
Taxation	53	90,0	62	90,0	↓	⊗
Inv. Prot./Corp. Gov.	25	83,5	21	83,5	↑	⊗
Human/Social Env.	52	57,4	38	57,4	↑	⊗
Entrepr. Cult./Deal Opp.	74	13,9	75	13,9	↓	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
South Africa	24	66,9	26	66,9	↓	⊗
Egypt	52	41,8	55	41,8	↓	⊗
Morocco	61	41,8	54	41,8	↑	⊗
Tunisia	64	41,5	56	41,5	↑	⊗
Kenya	69	38,3	63	38,3	↑	⊗
Nigeria	66	37,1	64	37,1	↑	⊗
<b>Namibia</b>	<b>70</b>	<b>26,4</b>	<b>70</b>	<b>26,4</b>	→	⊗
Algeria	76	17,1	77	17,1	↓	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	75	9,7	76	↓	☒	☐
1.2 Medium-Term Real GDP Growth	20	111,5	39	↓	☐	☒
1.3 Unemployment	76	47,4	76	→	☒	☐

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	74	15,8	74	→	☒	☐
2.2 Stock Market Liquidity (Trading Volume)	73	1,3	71	↑	☒	☐
2.3 IPO Market Activity	66	1,0	67	↓	☒	☐
2.4 M&A Market Activity	68	8,0	75	↓	☒	☐
2.5 Debt and Credit Market	42	62,8	45	↓	☐	☒
2.6 Bank Non-Performing Loans to Total Gross Loans	37	99,3	41	↓	☐	☒
2.7 Financial Market Sophistication	35	71,8	31	↑	☐	☒

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	53	90,0	62	↓	☒	☐

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	19	76,0	21	↓	☐	☒
4.2 Security of Property Rights	23	91,5	20	↑	☐	☒
4.3 Quality of Legal Enforcement	34	83,6	28	↑	☐	☒

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	73	36,5	64	↑	☒	☐
5.2 Labor Market Rigidities	15	82,6	16	↓	☐	☒
5.3 Bribing and Corruption	46	62,9	34	↑	☐	☒

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	72	13,5	73	↓	☒	☐
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	☒	☐
6.3 Ease of Starting and Running a Business	61	75,9	57	↑	☐	☒
6.4 Simplicity of Closing a Business	34	73,9	36	↓	☐	☒
6.5 Corporate R&D	70	6,8	69	↑	☒	☐

# Netherlands

Capital: Amsterdam ++ Official Language: Dutch ++ Currency: Euro

## Basic Facts



GDP	797 [bn USD]	IPO Volume	4th	1st
Population	16 [mn]	M&A Volume	■	■
GDP Growth	'04 - - - - - '10	VC Activity	■	■
Pop. Growth	'04 ■ ■ ■ ■ ■ '10	PE Activity	■	■

## SWOT Analysis

### Strengths

- Attractive tax system: low tax rate, high benefits for PE firms
- VCPE still of great economic importance
- Highly skilled workforce resulting in many R&D activity centers

### Weaknesses

- Sharpening of the (European) corporate governance rules and more pressure from regulators on LPs to protect assets
- IPO market unstable due to low trade volumes
- Many foreign and local VCPE funds in the Dutch market
- Highly competitive VCPE market, as a consequence of the stable government, robust legal framework, strong property rights and a well developed financial market

### Opportunities

- Portfolio repositioning by VCPE firms
- Better integration of acquisition within firms, with stronger focus on post-merger integration

### Threats

- LPs look at risk, return and liquidity of VCPE funds more critically than pre-crisis
- Wall of maturity, refinancing of large amounts of debt through 2013-15
- Capital moves to emerging markets

### Outlook

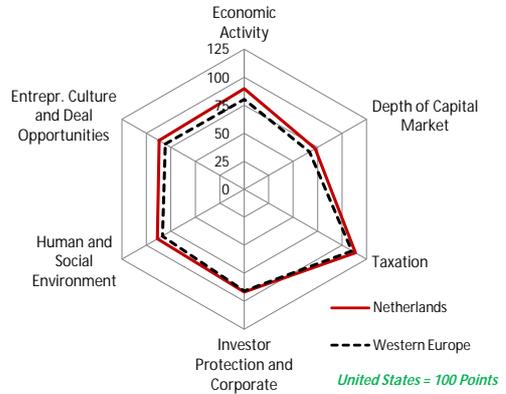
- Market sentiments are still depressed; however, VCPE market is in recovery
- Valuation multiples will increase due to economic recovery in the Netherlands
- Larger buyouts will make a comeback
- High M&A volume and more secondary buyout transactions are anticipated

Marcel van Rijnsouw, Ernst & Young  
marcel.van.rijnsouw@nl.ey.com

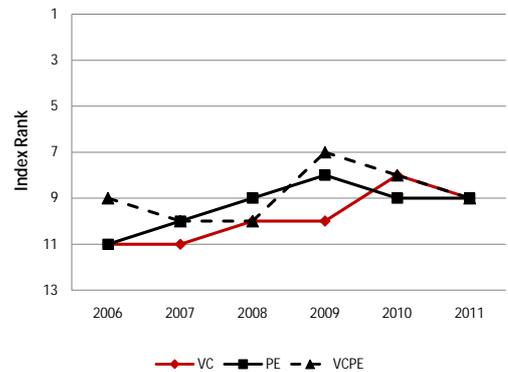
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>10</b>	<b>84,3</b>	<b>9</b>	↑	■ ■ ■ ■
Economic Activity	59	89,6	22	↑	■ ■ ■ ■
Depth of Capital Market	8	72,4	13	↓	■ ■ ■ ■
Taxation	15	113,7	6	↑	■ ■ ■ ■
Inv. Prot./Corp. Gov.	16	91,8	16	→	■ ■ ■ ■
Human/Social Env.	17	88,8	16	↑	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	10	87,0	11	↓	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United Kingdom	3	93,3	2	↑	■ ■ ■ ■
Switzerland	5	91,8	5	→	■ ■ ■ ■
Sweden	8	85,0	8	→	■ ■ ■ ■
<b>Netherlands</b>	<b>10</b>	<b>84,3</b>	<b>9</b>	<b>↑</b>	<b>■ ■ ■ ■</b>
Germany	16	82,8	10	↑	■ ■ ■ ■
Finland	9	82,3	11	↓	■ ■ ■ ■
Denmark	13	81,8	12	↑	■ ■ ■ ■
Norway	12	81,0	13	↓	■ ■ ■ ■
France	17	79,6	14	↑	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	16	63,7	16	→	■	■
1.2 Medium-Term Real GDP Growth	75	93,5	56	↑	■	■
1.3 Unemployment	17	121,0	12	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	23	54,8	35	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	8	51,2	12	↓	■	■
2.3 IPO Market Activity	17	49,4	25	↓	■	■
2.4 M&A Market Activity	17	66,8	17	→	■	■
2.5 Debt and Credit Market	2	97,8	3	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	14	115,1	7	↑	■	■
2.7 Financial Market Sophistication	5	100,0	11	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	15	113,7	6	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	28	67,2	31	↓	■	■
4.2 Security of Property Rights	16	94,1	16	→	■	■
4.3 Quality of Legal Enforcement	4	122,3	5	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	9	100,2	11	↓	■	■
5.2 Labor Market Rigidities	53	54,6	54	↓	■	■
5.3 Bribing and Corruption	8	127,7	7	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	11	94,4	8	↑	■	■
6.2 Scientific and Technical Journal Articles	14	78,2	14	→	■	■
6.3 Ease of Starting and Running a Business	27	89,6	41	↓	■	■
6.4 Simplicity of Closing a Business	7	107,8	9	↓	■	■
6.5 Corporate R&D	13	70,1	13	→	■	■

# New Zealand

Capital: Wellington ++ Official Language: English, Māori ++ Currency: New Zealand Dollar

## Basic Facts



GDP	128 [bn USD]	IPO Volume	
Population	4 [mn]	M&A Volume	
GDP Growth	'04 - - - '10	VC Activity	
Pop. Growth	'04 ■■■■■ '10	PE Activity	

## SWOT Analysis

### Strengths

- Limited liability partnership regime, consistent with global investment structures
- Positive buying opportunities for PE as price expectations have declined
- Significant number of PE-owned assets meaning secondary options may develop

### Weaknesses

- Relatively weak capital market
- Slow recovery from recessionary impacts of the global financial crisis
- Low level of investment in plant and machinery
- Young VC industry facing significant challenges

### Opportunities

- The export market is developing in a strong growth region of Asia
- New Zealand's largest trading partner (Australia) is strong
- Interest rates are low and the NZ\$ relatively weak

### Threats

- Deleveraging impact is reducing the availability of credit and debt for corporate transactions
- There is uncertainty around the timing of economic recovery
- Australia- and New Zealand-based LPs are reducing exposure to the PE industry, leading to fewer managers over time

### Outlook

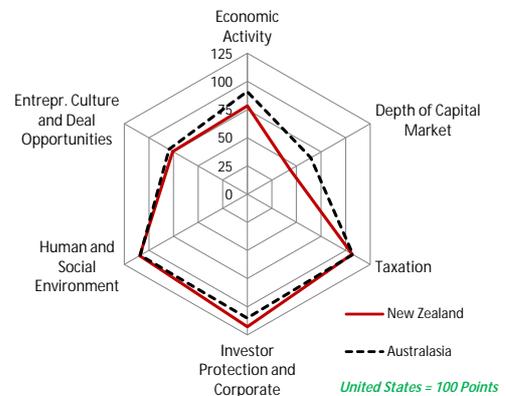
- There are positive buying opportunities given the recessionary economy and weak NZ\$
- GDP growth is slowly recovering in a tough economic environment
- New Zealand is hosting the 2011 Rugby World Cup
- 2011 is election year (November), with the asset sales program a key issue, particularly for New Zealand capital markets

Andrew Taylor, Ernst & Young  
andrew.taylor@nz.ey.com

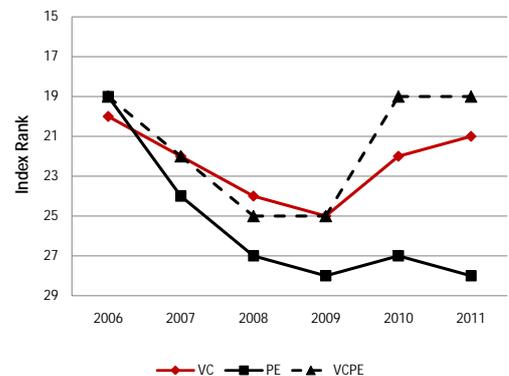
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	22	72,5	19		
Economic Activity	66	78,5	44		
Depth of Capital Market	31	43,7	40		
Taxation	21	106,6	20		
Inv. Prot./Corp. Gov.	2	117,8	2		
Human/Social Env.	5	109,3	3		
Entrepr. Cult./Deal Opp.	20	75,9	19		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United States	1	100,0	1		
Singapore	2	92,4	4		
United Kingdom	3	93,3	2		
Canada	4	93,3	3		
Switzerland	5	91,8	5		
Australia	7	90,2	7		
Japan	6	90,9	6		
Sweden	8	85,0	8		
<b>New Zealand</b>	22	72,5	19		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	52	41,0	51	↑	■	■
1.2 Medium-Term Real GDP Growth	70	100,4	47	↑	■	■
1.3 Unemployment	11	117,4	17	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	50	37,7	54	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	43	6,0	47	↓	■	■
2.3 IPO Market Activity	35	33,6	38	↓	■	■
2.4 M&A Market Activity	20	50,5	37	↓	■	■
2.5 Debt and Credit Market	10	88,7	11	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	1	117,2	4	↓	■	■
2.7 Financial Market Sophistication	26	75,3	30	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	21	106,6	20	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	2	121,3	2	→	■	■
4.2 Security of Property Rights	9	109,7	4	↑	■	■
4.3 Quality of Legal Enforcement	6	122,8	4	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	19	100,9	10	↑	■	■
5.2 Labor Market Rigidities	4	94,3	5	↓	■	■
5.3 Bribing and Corruption	2	137,1	1	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	28	74,9	20	↑	■	■
6.2 Scientific and Technical Journal Articles	31	65,8	31	→	■	■
6.3 Ease of Starting and Running a Business	7	107,3	8	↓	■	■
6.4 Simplicity of Closing a Business	11	103,7	12	↓	■	■
6.5 Corporate R&D	30	45,9	28	↑	■	■

# Nigeria

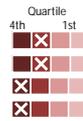
Capital: Abuja ++ Official Language: English ++ Currency: Naira

## Basic Facts



GDP 208 [bn USD]  
 Population 158 [mn]  
 GDP Growth '04 - '10  
 Pop. Growth '04 - '10

IPO Volume  
 M&A Volume  
 VC Activity  
 PE Activity



## SWOT Analysis

### Strengths

- Entrepreneurial culture
- Large population, making it an attractive market for consumer products
- Recent improvements and consolidation of the banking sector as well as ongoing reform of the asset management industry have created a world-class financial services sector
- Currently, the banking sector has the highest potential for M&A in Africa

### Weaknesses

- Poor infrastructure, especially roads
- Poor security of power supply

### Opportunities

- Investors can benefit from recent reforms in the financial services sector and anchor their investments for the region
- Although seen as Nigeria's main weakness, its poor infrastructure represents an opportunity in the form of investment by the African Development Bank which is committed to improving the continent's infrastructure over the next decade
- The discovery of oil in Ghana has created an opportunity for Nigeria-based oil companies – both drilling and exploration – to expand on the back of their experience in the West African region
- The Government has announced that agriculture and mining are some of the sectors identified to diversify the Nigerian economy – offering plenty of incentives for investors

### Threats

- Although there are efforts to make the petroleum sector more efficient and stable, there are still difficulties experienced by multinationals operating in the country, particularly due to the intensifying campaigns by militant groups

### Outlook

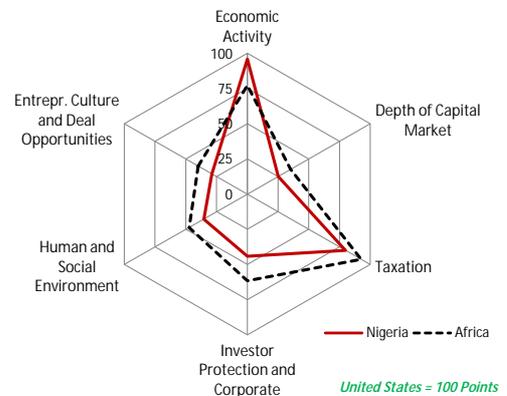
- Still the most populous country in Africa, Nigeria is always a country to watch
- The mobile communications industry provides a proof that multinationals can successfully launch and grow their businesses in Africa – and considering the current wave of corporate activity in mobile communications, Nigeria is positioned well to benefit

Henry Egbiki, Ernst & Young  
 Henry.Egbiki@ng.ey.com

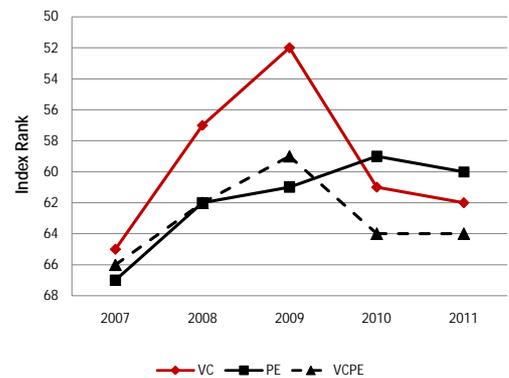
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	66	37,1	64	↑	⊗
Economic Activity	12	96,0	8	↑	⊗
Depth of Capital Market	65	25,1	57	↑	⊗
Taxation	71	79,8	73	↓	⊗
Inv. Prot./Corp. Gov.	61	44,0	59	↑	⊗
Human/Social Env.	76	35,4	71	↑	⊗
Entrepr. Cult./Deal Opp.	57	28,9	67	↓	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
South Africa	24	66,9	26	↓	⊗
Egypt	52	41,8	55	↓	⊗
Morocco	61	41,8	54	↑	⊗
Tunisia	64	41,5	56	↑	⊗
Kenya	69	38,3	63	↑	⊗
<b>Nigeria</b>	66	37,1	64	↑	⊗
Namibia	70	26,4	70	→	⊗
Algeria	76	17,1	77	↓	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	42	47,0	41	↑	■	■
1.2 Medium-Term Real GDP Growth	19	162,7	4	↑	■	■
1.3 Unemployment	8	115,6	24	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	61	43,9	44	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	62	4,9	50	↑	■	■
2.3 IPO Market Activity	52	25,8	47	↑	■	■
2.4 M&A Market Activity	59	30,0	58	↑	■	■
2.5 Debt and Credit Market	80	13,5	80	→	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	73	77,4	72	↑	■	■
2.7 Financial Market Sophistication	57	36,5	62	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	71	79,8	73	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	20	59,5	41	↓	■	■
4.2 Security of Property Rights	63	47,4	55	↑	■	■
4.3 Quality of Legal Enforcement	75	30,3	72	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	50	39,5	60	↓	■	■
5.2 Labor Market Rigidities	11	84,4	15	↓	■	■
5.3 Bribing and Corruption	79	13,3	73	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	60	22,3	66	↓	■	■
6.2 Scientific and Technical Journal Articles	53	48,7	53	→	■	■
6.3 Ease of Starting and Running a Business	50	36,4	78	↓	■	■
6.4 Simplicity of Closing a Business	58	58,0	58	→	■	■
6.5 Corporate R&D	62	8,8	65	↓	■	■

# Norway

Capital: Oslo ++ Official Language: Norwegian (Bokmål and Nynorsk) ++ Currency: Norwegian Krone

## Basic Facts



GDP	437 [bn USD]	IPO Volume	4th 1st
Population	5 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - - - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Overall strong economic performance, with good GDP growth and positive effects on employment
- Strong VCPE environment with local and Nordic players
- Increased attention from large international PE players
- Large amount of VC funds
- Strong VCPE environment, focusing on energy, oil services and ICT

### Weaknesses

- Limited number of large PE funds in Norway
- Economy strongly dependent on the energy sector
- Overall limited depth of the capital market

### Opportunities

- Norway has approximately €4,000m in committed non-invested capital
- A large portion of investments are mature, leading to a significant number of sell processes expected in 2011 and 2012
- Well-developed cleantech, oil and energy sectors offer investors the greatest opportunities
- Innovation has an increasingly high ranking
- A significant number of IPOs are expected to take place during 2011; IPOs are again viewed as an exit opportunity

### Threats

- Norway has an over-heated economy and increasing interest rates

### Outlook

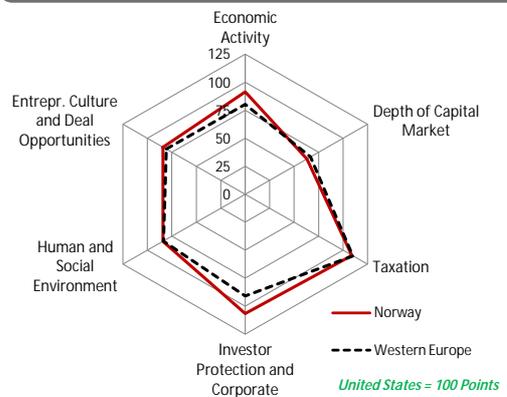
- Norway remains attractive for overseas investors, especially with an economy at full speed, low unemployment rates and strong focus towards energy and oil services
- The strong domestic economy should provide further investment opportunities

Vegard Stevning, Ernst & Young  
vegard.stevning@no.ey.com

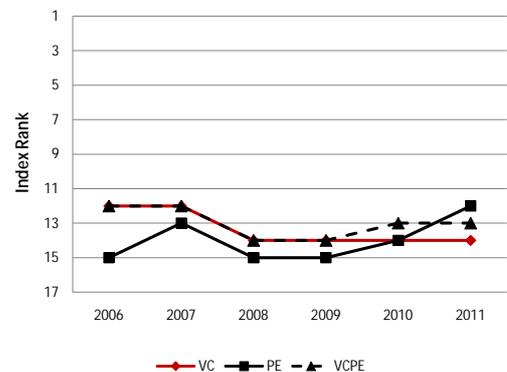
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>12</b>	<b>81,0</b>	<b>13</b>	↓	4th 1st
Economic Activity	52	91,3	15	↑	4th 1st
Depth of Capital Market	17	63,0	20	↓	4th 1st
Taxation	10	109,0	10	→	4th 1st
Inv. Prot./Corp. Gov.	6	106,4	4	↑	4th 1st
Human/Social Env.	16	84,0	17	↓	4th 1st
Entrepr. Cult./Deal Opp.	15	84,0	13	↑	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United Kingdom	3	93,3	2	↑	4th 1st
Switzerland	5	91,8	5	→	4th 1st
Sweden	8	85,0	8	→	4th 1st
Netherlands	10	84,3	9	↑	4th 1st
Germany	16	82,8	10	↑	4th 1st
Finland	9	82,3	11	↓	4th 1st
Denmark	13	81,8	12	↑	4th 1st
<b>Norway</b>	<b>12</b>	<b>81,0</b>	<b>13</b>	↓	4th 1st
France	17	79,6	14	↑	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	25	56,2	23	↑	■	■
1.2 Medium-Term Real GDP Growth	68	104,8	43	↑	■	■
1.3 Unemployment	7	129,0	3	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	31	46,8	41	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	17	32,3	22	↓	■	■
2.3 IPO Market Activity	20	42,8	30	↓	■	■
2.4 M&A Market Activity	21	61,0	21	→	■	■
2.5 Debt and Credit Market	19	83,4	18	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	10	115,1	7	↑	■	■
2.7 Financial Market Sophistication	18	103,5	8	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	10	109,0	10	→	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	12	90,1	10	↑	■	■
4.2 Security of Property Rights	6	109,7	3	↑	■	■
4.3 Quality of Legal Enforcement	7	121,9	6	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	15	90,6	16	↓	■	■
5.2 Labor Market Rigidities	42	53,8	57	↓	■	■
5.3 Bribing and Corruption	7	121,8	10	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	18	90,3	9	↑	■	■
6.2 Scientific and Technical Journal Articles	27	67,4	27	→	■	■
6.3 Ease of Starting and Running a Business	8	100,1	18	↓	■	■
6.4 Simplicity of Closing a Business	2	114,5	3	↓	■	■
6.5 Corporate R&D	20	59,9	20	→	■	■

# Oman

Capital: Muscat ++ Official Language: Arabic ++ Currency: Rial Omani

## Basic Facts



GDP	62 [bn USD]	IPO Volume	
Population	3 [mn]	M&A Volume	
GDP Growth	'04 - '10	VC Activity	
Pop. Growth	'04 - '10	PE Activity	

## SWOT Analysis

### Strengths

- Prudent fiscal policy
- Key potential source of foreign exchange in tourism

### Weaknesses

- Small domestic market with a population of 2.25m
- Vulnerability of economy to world price shocks, due to dependence on hydrocarbons
- Maturity of Omani oil fields and decline in oil production, meaning that, at current output levels, known oil reserves will be exhausted within 20 years; in response, the Omani Government has prioritized the production and export of natural gas

### Opportunities

- Construction is booming around the industrial port of Sohar, though most services depend on a healthy oil economy
- Industrial enterprises may be eligible for tax exemptions for up to 10 years
- A free trade agreement with the US came into force in January 2009 making consumer and industrial merchandise trade duty free, the aim being to create a Middle East Free Trade Area by 2013
- The agreement provides effective enforcement of labor and environment laws, and enhances existing intellectual property rights protection

### Threats

- The "Omanization" drive to create more jobs for citizens sometimes involves bans or limits on employing expatriate workers, constraining employers' freedom of choice
- As Oman is not a member of OPEC, there is a widening price differential between Oman's sour grade crude oil and OPEC producers' grades
- Oman's internet connectivity lags behind its Gulf peers, with only Iraq scoring lower in the region

### Outlook

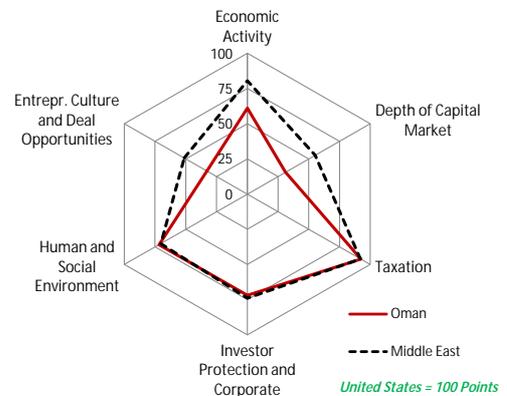
- The budget plan for fiscal year 2011 envisions a 13.2% increase in spending for the year, with 2.53m rials (US\$6.69b) in new capital investment expenses, and total spending of 8.13b rials, up from the 7.18b rials under the budget plan for 2010
- Government expenditure on the development of facilities will remain strong and will be complemented by foreign investment

Rajeev Singh, Ernst & Young  
rajeev.singh@om.ey.com

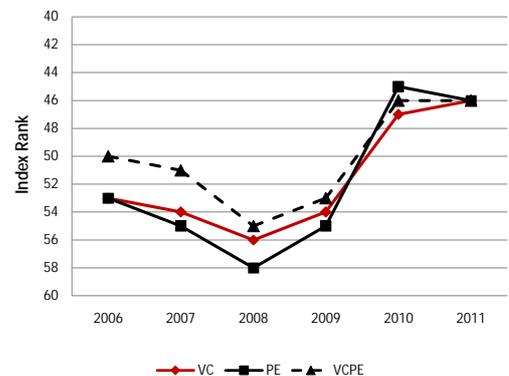
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	51	45,6	46		
Economic Activity	70	61,1	66		
Depth of Capital Market	55	31,1	53		
Taxation	48	92,4	54		
Inv. Prot./Corp. Gov.	37	71,9	31		
Human/Social Env.	31	71,9	21		
Entrepr. Cult./Deal Opp.	53	32,9	63		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Israel	19	72,2	21		
Saudi Arabia	36	67,5	25		
United Arab Emirates	33	61,6	28		
Kuwait	40	57,9	35		
Jordan	42	53,2	38		
<b>Oman</b>	51	45,6	46		
Bahrain	58	44,3	50		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	62	32,0	59	↑	■	■
1.2 Medium-Term Real GDP Growth	50	168,3	3	↑	■	■
1.3 Unemployment	77	42,4	77	→	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	49	61,6	29	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	48	6,2	45	↑	■	■
2.3 IPO Market Activity	47	18,2	57	↓	■	■
2.4 M&A Market Activity	76	11,4	71	↑	■	■
2.5 Debt and Credit Market	56	55,7	57	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	57	104,1	30	↑	■	■
2.7 Financial Market Sophistication	37	61,2	45	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	48	92,4	54	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	61	48,6	59	↑	■	■
4.2 Security of Property Rights	33	83,8	25	↑	■	■
4.3 Quality of Legal Enforcement	24	91,1	24	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	43	62,8	36	↑	■	■
5.2 Labor Market Rigidities	25	79,4	20	↑	■	■
5.3 Bribing and Corruption	33	74,5	29	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	37	30,8	54	↓	■	■
6.2 Scientific and Technical Journal Articles	67	39,1	67	→	■	■
6.3 Ease of Starting and Running a Business	41	44,0	76	↓	■	■
6.4 Simplicity of Closing a Business	41	65,2	44	↓	■	■
6.5 Corporate R&D	67	11,1	62	↑	■	■

# Paraguay

Capital: Asunción ++ Official Language: Spanish, Guaraní ++ Currency: Guaraní

## Basic Facts



GDP	17 [bn USD]	IPO Volume	
Population	6 [mn]	M&A Volume	
GDP Growth	'04 - - - - '10	VC Activity	
Pop. Growth	'04 ■■■■■ '10	PE Activity	

## SWOT Analysis

### Strengths

- Government encouragement of foreign investment and guarantee of equal treatment for foreign investors
- No formal restrictions on foreign investment
- Tax incentives for entrepreneurs and companies
- One of the lowest tax burdens in the region and the lowest of Mercosur
- Protection of intellectual property rights by regulation

### Weaknesses

- Lack of legal framework for VCPE formation and operation
- Weak judicial system, although regulation has been improved
- Small capital markets
- Many family-owned companies are concerned about losing control, so public offerings are not frequent

### Threats

- High perception of corruption

### Opportunities

- No restrictions on investments

### Outlook

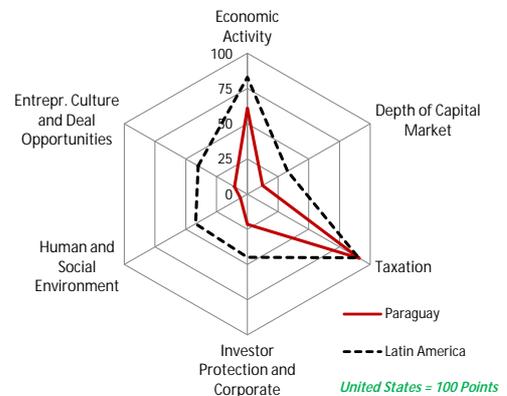
- The macroeconomic environment has been positive during 2010 and the outlook for 2011 remains positive
- Paraguay is on an upward trend of developing changes to promote further foreign investment

Rafael López Fracchina, Ernst & Young  
Rafael.Lopez-Fracchia@py.ey.com

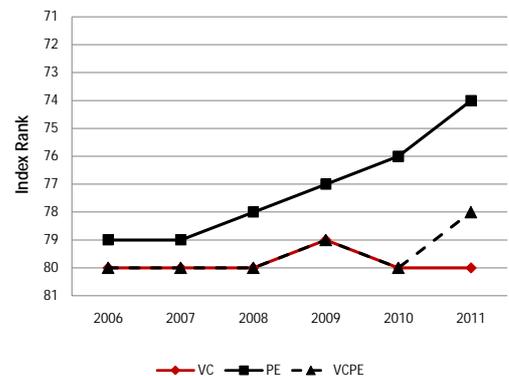
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>80</b>	<b>15,7</b>	<b>78</b>		
Economic Activity	73	61,1	67		
Depth of Capital Market	78	12,3	72		
Taxation	51	91,2	57		
Inv. Prot./Corp. Gov.	78	21,4	78		
Human/Social Env.	80	5,7	80		
Entrepr. Cult./Deal Opp.	79	10,5	79		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Brazil	57	48,7	43		
Mexico	44	48,7	42		
Colombia	49	45,3	47		
Peru	63	41,1	59		
Uruguay	65	36,8	65		
Argentina	60	36,4	66		
Ecuador	74	17,9	74		
<b>Paraguay</b>	<b>80</b>	<b>15,7</b>	<b>78</b>		
Venezuela	73	15,2	79		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	73	16,1	73	→	✗	✗
1.2 Medium-Term Real GDP Growth	61	118,7	31	↑	✗	✗
1.3 Unemployment	32	119,2	16	↑	✗	✗

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	72	18,8	71	↑	✗	✗
2.2 Stock Market Liquidity (Trading Volume)	76	1,2	75	↑	✗	✗
2.3 IPO Market Activity	66	1,0	67	↓	✗	✗
2.4 M&A Market Activity	80	8,1	74	↑	✗	✗
2.5 Debt and Credit Market	66	43,8	68	↓	✗	✗
2.6 Bank Non-Performing Loans to Total Gross Loans	43	112,4	15	↑	✗	✗
2.7 Financial Market Sophistication	78	47,1	54	↑	✗	✗

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	51	91,2	57	↓	✗	✗

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	64	35,1	72	↓	✗	✗
4.2 Security of Property Rights	75	23,1	73	↑	✗	✗
4.3 Quality of Legal Enforcement	78	12,0	78	→	✗	✗

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	80	1,2	80	→	✗	✗
5.2 Labor Market Rigidities	75	30,9	75	→	✗	✗
5.3 Bribing and Corruption	77	4,8	78	↓	✗	✗

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	79	6,4	78	↑	✗	✗
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	✗	✗
6.3 Ease of Starting and Running a Business	79	71,1	62	↑	✗	✗
6.4 Simplicity of Closing a Business	64	53,1	62	↑	✗	✗
6.5 Corporate R&D	79	5,2	76	↑	✗	✗

# Peru

Capital: Lima ++ Official Language: Spanish, Quéchuá ++ Currency: Nuevo Sol

## Basic Facts



GDP	146 [bn USD]	IPO Volume	
Population	29 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- IFRS requirement for listed firms
- High corporate governance requirements, demanding strong financial disclosure for companies
- History of PE funds, with some operating successfully for several years

### Weaknesses

- Restrictions on investment in VCPE by pension funds: a small percentage of capital allowed
- Weak, slow judiciary, with a perception of corruption
- Inconsistent enforcement of legislation in the country

### Opportunities

- Costs of starting a business are relatively low
- The Government remains committed to pursuing an investor-friendly business climate, with a Foreign Investment Law which offers automatic investment authorization and the same investment conditions to foreign and national investors
- IPOs have come back to Peruvian capital markets, which could represent an exit strategy for VCPE funds in the future

### Threats

- IP protection is regulated; however, enforcement has been an issue
- The tax environment is complex and taxation for VCPE is expensive, but tax stability agreements to increase investor attractiveness have been reached
- Regulatory frameworks for fund formation and operation remain incomplete, and capital market reform projects to improve VCPE have been delayed for a number of years

### Outlook

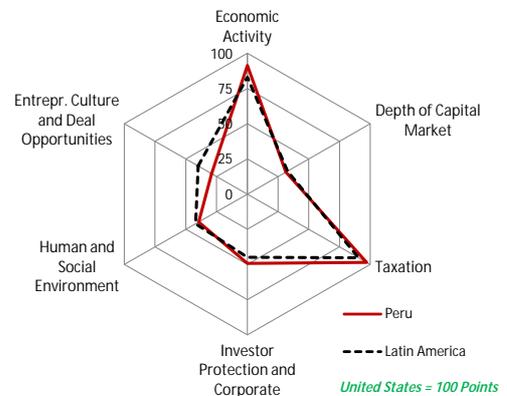
- Economic activity looks set to remain well supported by private demand and investment and the outlook for 2011 is positive
- Recent changes to Peruvian regulations are allowing increased activity
- Under Alan Garcia's presidency, Peru has maintained an aggressive trade policy that has allowed it to sign free trade agreements with the US, Chile, Singapore, Thailand, China, Canada and the Republic of Korea

Jorge Hernando Medina, Ernst & Young  
jorge.medina@pe.ey.com

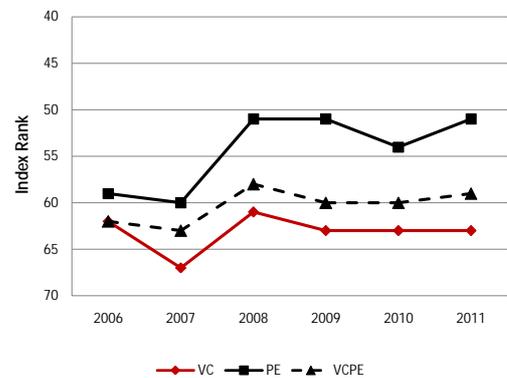
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	63	41,1	59		
Economic Activity	23	91,3	14		
Depth of Capital Market	62	31,3	52		
Taxation	41	96,9	48		
Inv. Prot./Corp. Gov.	65	49,1	52		
Human/Social Env.	74	39,5	60		
Entrepr. Cult./Deal Opp.	55	29,0	66		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Chile	30	61,5	29		
Brazil	57	48,7	43		
Mexico	44	48,7	42		
Colombia	49	45,3	47		
<b>Peru</b>	63	41,1	59		
Uruguay	65	36,8	65		
Argentina	60	36,4	66		
Ecuador	74	17,9	74		
Paraguay	80	15,7	78		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	53	42,6	49	↑	■	■
1.2 Medium-Term Real GDP Growth	26	156,3	7	↑	■	■
1.3 Unemployment	37	114,3	26	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	37	57,2	33	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	56	2,7	56	→	■	■
2.3 IPO Market Activity	66	10,0	64	↑	■	■
2.4 M&A Market Activity	47	43,7	45	↑	■	■
2.5 Debt and Credit Market	61	50,2	64	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	53	105,5	27	↑	■	■
2.7 Financial Market Sophistication	41	82,4	26	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	41	96,9	48	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	42	78,8	19	↑	■	■
4.2 Security of Property Rights	70	38,5	66	↑	■	■
4.3 Quality of Legal Enforcement	67	39,1	64	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	79	25,1	75	↑	■	■
5.2 Labor Market Rigidities	56	61,9	42	↑	■	■
5.3 Bribing and Corruption	53	39,7	53	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	66	18,7	70	↓	■	■
6.2 Scientific and Technical Journal Articles	66	40,6	66	→	■	■
6.3 Ease of Starting and Running a Business	71	68,8	65	↑	■	■
6.4 Simplicity of Closing a Business	43	62,3	52	↓	■	■
6.5 Corporate R&D	56	6,3	73	↓	■	■

# Philippines

Capital: Manila ++ Official Language: Filipino (based on Tagalog), English ++ Currency: Philippine Peso

## Basic Facts



GDP	181 [bn USD]	IPO Volume	
Population	94 [mn]	M&A Volume	
GDP Growth '04-'10		VC Activity	
Pop. Growth '04-'10		PE Activity	

## SWOT Analysis

### Strengths

- Cumulative investments of P3.8 trillion expected between 2011 and 2016
- High market potential from young and growing middle income population
- Remittances from over eight million Filipinos overseas contribute over 10% of GDP
- Highly educated professionals and a large pool of affordable workforce
- Increasing consumer spending, driven by rising per capita income (over US\$2,000) and a growing population

### Weaknesses

- Inadequate infrastructure in selected areas and sectors
- Budget deficit limits the Government's ability to undertake infrastructure improvements (however, the Government is pushing PPP for infrastructure development, which will lead to increased infrastructure investments)
- Innovation structure capacity is somewhat limited

### Opportunities

- Investment and trade opportunities from free trade agreements between ASEAN and other Asian countries are increasing
- Increased globalization, particularly in offshore and outsourcing activities in the US, provides investment opportunities
- The growth drivers for investment are food, technology, infrastructure and tourism
- Valuations are attractive compared with its Asian neighbors
- Improving corporate governance and the ongoing effort to stamp out corruption should attract investments

### Threats

- Economic reform is slow
- There is a perception of widespread corruption and security issues

### Outlook

- Broad-based consumer demand and resurgent exports and investments should support economic growth, with the potential for higher growth if substantial infrastructure reforms are undertaken
- Global outsourcing is expected to accelerate
- Sustained economic growth in the Asian region will provide the Philippines a major source of skilled workers

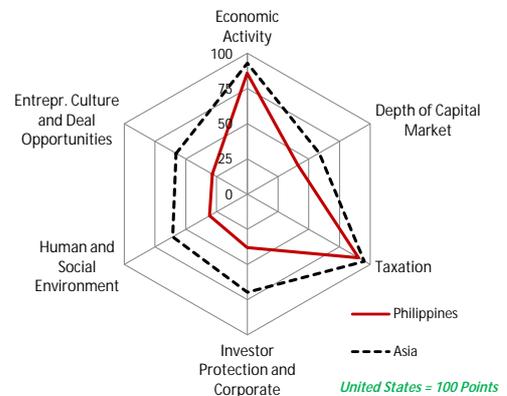
Renato J. Galve, Ernst & Young  
renato.j.galve@ph.ey.com

Alexander Dacanay, Ernst & Young  
alexander.e.dacanay@ph.ey.com

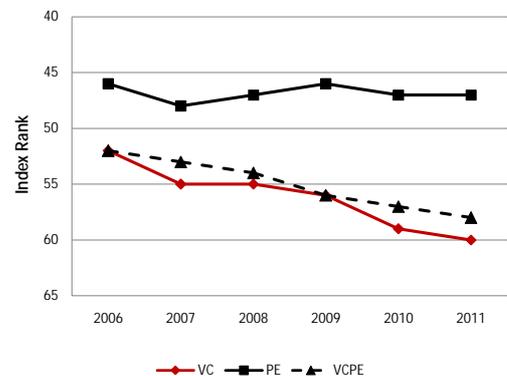
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	53	41,2	58		
Economic Activity	31	85,9	32		
Depth of Capital Market	44	41,1	43		
Taxation	61	90,6	61		
Inv. Prot./Corp. Gov.	64	38,0	70		
Human/Social Env.	65	30,7	74		
Entrepr. Cult./Deal Opp.	66	28,3	68		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
India	26	61,4	30		
Thailand	28	59,3	34		
Russian Federation	37	51,1	41		
Indonesia	59	45,2	48		
Vietnam	62	42,2	53		
<b>Philippines</b>	53	41,2	58		
Kazakhstan	54	39,1	61		
Armenia	72	25,3	71		
Kyrgyzstan	78	14,4	80		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	46	45,3	46	→	■	■
1.2 Medium-Term Real GDP Growth	35	125,9	21	↑	■	■
1.3 Unemployment	48	111,2	33	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	38	50,1	38	→	■	■
2.2 Stock Market Liquidity (Trading Volume)	46	5,1	48	↓	■	■
2.3 IPO Market Activity	38	42,6	31	↑	■	■
2.4 M&A Market Activity	36	54,4	29	↑	■	■
2.5 Debt and Credit Market	58	54,3	60	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	67	89,7	59	↑	■	■
2.7 Financial Market Sophistication	44	68,2	36	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	61	90,6	61	→	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	69	38,1	70	↓	■	■
4.2 Security of Property Rights	64	37,6	67	↓	■	■
4.3 Quality of Legal Enforcement	60	38,4	65	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	47	40,2	59	↓	■	■
5.2 Labor Market Rigidities	45	54,5	55	↓	■	■
5.3 Bribing and Corruption	73	13,2	74	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	59	24,5	61	↓	■	■
6.2 Scientific and Technical Journal Articles	63	42,9	63	→	■	■
6.3 Ease of Starting and Running a Business	75	49,2	75	→	■	■
6.4 Simplicity of Closing a Business	76	12,8	79	↓	■	■
6.5 Corporate R&D	36	27,5	47	↓	■	■

# Poland

Capital: Warsaw ++ Official Language: Polish ++ Currency: Zloty

## Basic Facts



GDP	479 [bn USD]	IPO Volume	4th 1st
Population	38 [mn]	M&A Volume	4th 1st
GDP Growth	'04 '10	VC Activity	4th 1st
Pop. Growth	'04 '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Stable macroeconomic situation with good growth prospects
- Size of market and continuous growth of entrepreneurial base
- Good availability of financing and funds
- High absorption of EU funds and growing infrastructure investments
- Change in perception of VCPE: from rescue in a crisis situation to a good source of experience and knowledge of international markets, and a chance for a company's international expansion

### Weaknesses

- Stable macroeconomic growth factors threatened by high unemployment rate and high level of public debt
- Highly competitive market
- High pricing expectations of sellers and excessive company valuations

### Opportunities

- Positive signals from the market and stable investor confidence levels
- High level of FDI increased by privatization programs
- Planned IPOs of Polish and foreign companies at Warsaw Stock Exchange
- Growing number of public and private investors with interest in VCPE assets
- Increased deal activity – 2010 saw a few large and many medium-size PE transactions, and several new transactions are planned for 2011
- Consolidation trend in the market, leading to an increasing number of transactions

### Threats

- Problems with fund-raising, potentially increased by new EU restrictions
- New EU regulations on information requirements and transparency
- High level of investor caution

### Outlook

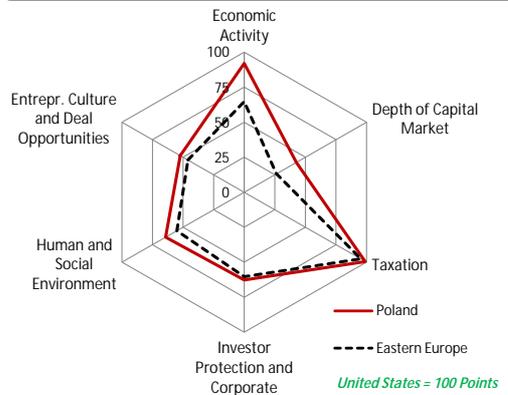
- Continuous growth in Poland and relative weakness of foreign competitors create a good opportunity for Polish companies in foreign M&A transactions and international expansion, both of which have been rare
- High levels of pre-crisis accumulated funds to be invested in upcoming periods

Anna Zervakos, Ernst & Young  
 Anna.Zervakos@pl.ey.com

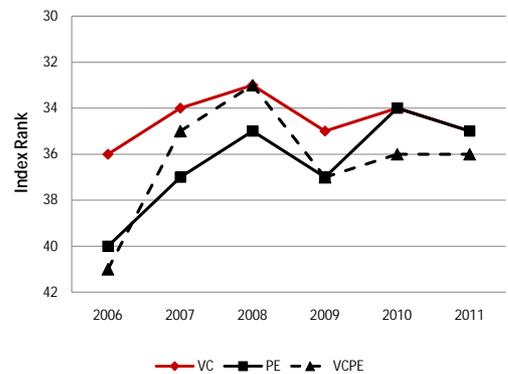
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	35	57,4	36	↓	4th 1st
Economic Activity	35	92,0	12	↑	4th 1st
Depth of Capital Market	37	42,6	42	↓	4th 1st
Taxation	36	98,9	42	↓	4th 1st
Inv. Prot./Corp. Gov.	45	62,7	42	↑	4th 1st
Human/Social Env.	39	64,2	30	↑	4th 1st
Entrepr. Cult./Deal Opp.	40	52,3	34	↑	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Poland	35	57,4	36	↓	4th 1st
Czech Republic	34	55,0	37	↓	4th 1st
Turkey	31	52,8	39	↓	4th 1st
Hungary	43	52,0	40	↑	4th 1st
Slovenia	45	46,8	45	→	4th 1st
Estonia	41	44,8	49	↓	4th 1st
Bulgaria	50	44,1	51	↓	4th 1st
Croatia	55	43,4	52	↑	4th 1st
Romania	47	41,0	60	↓	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	24	57,4	20	↑	■	■
1.2 Medium-Term Real GDP Growth	48	130,5	19	↑	■	■
1.3 Unemployment	74	104,0	43	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	44	39,3	50	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	44	6,1	46	↓	■	■
2.3 IPO Market Activity	23	59,6	16	↑	■	■
2.4 M&A Market Activity	34	55,6	27	↑	■	■
2.5 Debt and Credit Market	48	61,8	47	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	66	90,4	57	↑	■	■
2.7 Financial Market Sophistication	59	57,7	47	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	36	98,9	42	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	32	69,2	26	↑	■	■
4.2 Security of Property Rights	59	51,3	49	↑	■	■
4.3 Quality of Legal Enforcement	46	69,3	41	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	39	59,2	38	↑	■	■
5.2 Labor Market Rigidities	31	73,1	34	↓	■	■
5.3 Bribing and Corruption	48	61,1	37	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	58	40,8	39	↑	■	■
6.2 Scientific and Technical Journal Articles	19	72,5	19	→	■	■
6.3 Ease of Starting and Running a Business	52	74,0	61	↓	■	■
6.4 Simplicity of Closing a Business	60	56,8	59	↑	■	■
6.5 Corporate R&D	38	31,4	41	↓	■	■

# Portugal

Capital: Lisbon ++ Official Language: Portuguese ++ Currency: Euro

## Basic Facts



GDP	226 [bn USD]	IPO Volume	4th 1st
Population	11 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Very attractive tax conditions for business angels and VCPE funds
- Close links with high-growth countries such as Brazil and Angola
- Portuguese language – key strategic asset

### Weaknesses

- Negative impact of austerity measures for fiscal consolidation
- Lack of rollout capital to fund innovation in biotech and environment
- Absence of Portuguese companies on the NYSE Alternext stock exchange

### Opportunities

- Increase in R&D spending will boost innovation in a few years
- Niche segments in industry related to medical devices and renewable energy and environment
- Corporate turnaround funds
- Need for consolidation in traditional industries with room for build-up acquisitions
- Room for specialized funds
- Clusters with good potential: energy, life sciences and leisure

### Threats

- Small size of domestic market
- Low growth of Portuguese economy

### Outlook

- Increase of distressed asset deals
- Modest levels of fund-raising and investment
- Buyouts penalized by difficult credit environment

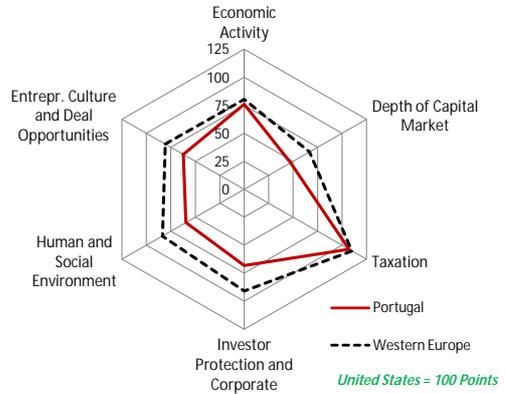
José Gonzaga Rosa, Ernst & Young  
jose.gonzaga-rosa@pt.ey.com

Miguel Farinha, Ernst & Young  
miguel.farinha@pt.ey.com

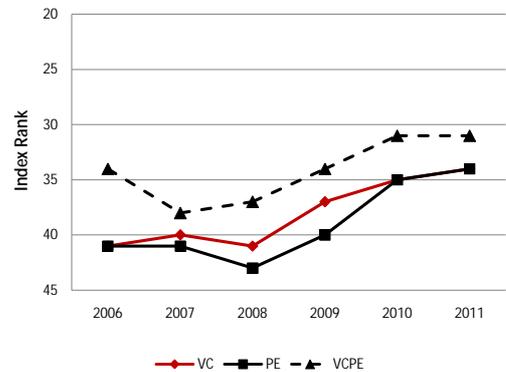
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>38</b>	<b>60,4</b>	<b>31</b>	↑	4th 1st
Economic Activity	78	75,7	51	↑	4th 1st
Depth of Capital Market	32	47,3	34	↓	4th 1st
Taxation	19	107,0	18	↑	4th 1st
Inv. Prot./Corp. Gov.	30	68,0	35	↓	4th 1st
Human/Social Env.	36	59,3	37	↓	4th 1st
Entrepr. Cult./Deal Opp.	28	62,1	27	↑	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
France	17	79,6	14	↑	4th 1st
Belgium	18	76,8	15	↑	4th 1st
Austria	23	71,7	22	↑	4th 1st
Spain	20	69,1	23	↓	4th 1st
Ireland	14	67,7	24	↓	4th 1st
<b>Portugal</b>	<b>38</b>	<b>60,4</b>	<b>31</b>	↑	4th 1st
Italy	32	59,6	32	→	4th 1st
Luxembourg	29	59,3	33	↓	4th 1st
Greece	39	47,9	44	↓	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	34	48,1	36	↓	■	■
1.2 Medium-Term Real GDP Growth	80	88,0	62	↑	■	■
1.3 Unemployment	46	102,7	46	→	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	51	40,3	47	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	35	14,1	33	↑	■	■
2.3 IPO Market Activity	40	23,3	51	↓	■	■
2.4 M&A Market Activity	32	51,8	33	↓	■	■
2.5 Debt and Credit Market	15	84,2	17	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	24	106,9	25	↓	■	■
2.7 Financial Market Sophistication	26	85,9	20	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	19	107,0	18	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	46	48,7	58	↓	■	■
4.2 Security of Property Rights	27	77,5	27	→	■	■
4.3 Quality of Legal Enforcement	25	83,2	30	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	36	62,4	37	↓	■	■
5.2 Labor Market Rigidities	65	41,0	65	→	■	■
5.3 Bribing and Corruption	23	81,6	27	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	35	49,6	32	↑	■	■
6.2 Scientific and Technical Journal Articles	32	65,6	32	→	■	■
6.3 Ease of Starting and Running a Business	49	92,2	38	↑	■	■
6.4 Simplicity of Closing a Business	17	92,0	19	↓	■	■
6.5 Corporate R&D	44	33,4	36	↑	■	■

# Romania

Capital: Bucharest ++ Official Language: Romanian ++ Currency: Romanian Leu

## Basic Facts



GDP	169 [bn USD]	IPO Volume	4th 1st
Population	21 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - '10	VC Activity	4th 1st
Pop. Growth	'04 - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Lower private sector debt position (vs. Bulgaria, Ukraine and Hungary): 30% of GDP (BMI, Q1 2011)
- Relatively stable local currency (EUR1=RON4.26 at 17 January 2011; RON4.2 average for the last two years. Source: National Bank of Romania)

### Weaknesses

- Pricing gap between sellers and buyers, particularly visible for those well-positioned companies that came through the crisis with strong results
- Scarce (for real estate and start-ups) and expensive leverage for transactions; large percentage of equity required by local banks for new industries (e.g., renewable energy)

### Opportunities

- A significant market, with approximately 22 million people
- Market currently dominated by buyers
- Potential for growth in the services sector: 53% of GDP in 2009 vs. 59% in the Czech Republic and 67% in Poland (Source: Datamonitor)
- VC: certain tax incentives for private investors who set up or run SMEs (participation should not exceed 1.25m)

### Threats

- Low population growth rates will result in a shrinkage of future consumer market size
- Migration of skilled labor force to other European countries
- Special remuneration schemes in place to minimize tax

### Outlook

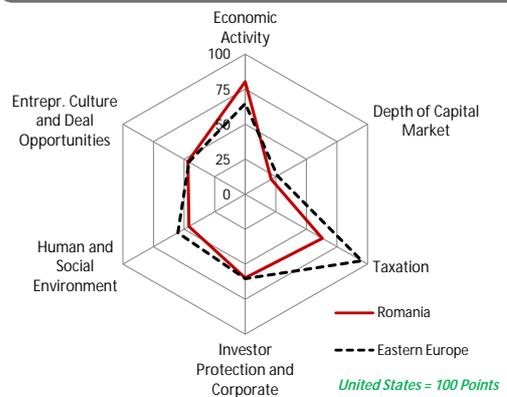
- Romanian economy estimated to rebound in 2011 (real GDP projected growth for 2011 is +1.5% according to the National Prognosis Commission report in November 2010). Recovery process potentially slower than that of other EU27 countries
- More intense activity on the transactions market in 2011, as the confidence of investors in the economy increases
- Local M&A market will continue to be sensitive and reactive to economic and fiscal governmental decisions

Cornelia Bumbacea, Ernst & Young  
cornelia.bumbacea@ro.ey.com

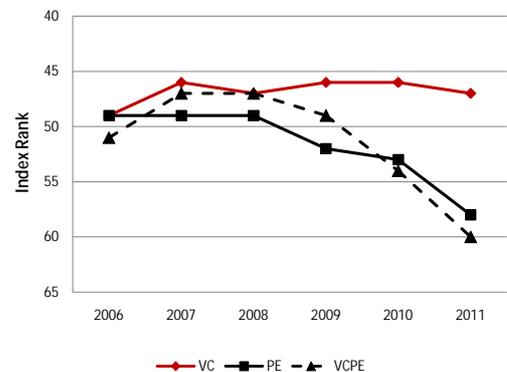
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>47</b>	<b>41,0</b>	<b>60</b>	↓	⊗
Economic Activity	19	80,3	40	↓	⊗
Depth of Capital Market	53	21,2	63	↓	⊗
Taxation	76	63,0	77	↓	⊗
Inv. Prot./Corp. Gov.	46	59,7	45	↑	⊗
Human/Social Env.	55	46,0	55	→	⊗
Entrepr. Cult./Deal Opp.	41	46,9	44	↓	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Slovenia	45	46,8	45	→	⊗
Estonia	41	44,8	49	↓	⊗
Bulgaria	50	44,1	51	↓	⊗
Croatia	55	43,4	52	↑	⊗
<b>Romania</b>	<b>47</b>	<b>41,0</b>	<b>60</b>	↓	⊗
Lithuania	46	41,3	57	↓	⊗
Slovakia	48	39,1	62	↓	⊗
Latvia	56	29,4	67	↓	⊗
Ukraine	67	27,8	68	↓	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	45	44,4	47	↓	■	■
1.2 Medium-Term Real GDP Growth	22	99,4	51	↓	■	■
1.3 Unemployment	40	117,4	17	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	48	34,9	55	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	59	1,9	65	↓	■	■
2.3 IPO Market Activity	50	18,2	56	↓	■	■
2.4 M&A Market Activity	40	43,4	46	↓	■	■
2.5 Debt and Credit Market	53	55,7	56	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	69	25,9	77	↓	■	■
2.7 Financial Market Sophistication	62	25,9	67	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	76	63,0	77	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	26	67,4	30	↓	■	■
4.2 Security of Property Rights	50	53,1	48	↑	■	■
4.3 Quality of Legal Enforcement	54	59,5	50	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	52	42,2	58	↓	■	■
5.2 Labor Market Rigidities	54	51,2	59	↓	■	■
5.3 Bribing and Corruption	57	45,0	50	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	55	32,0	52	↑	■	■
6.2 Scientific and Technical Journal Articles	43	55,9	43	→	■	■
6.3 Ease of Starting and Running a Business	13	98,5	22	↓	■	■
6.4 Simplicity of Closing a Business	62	61,1	55	↑	■	■
6.5 Corporate R&D	48	21,1	54	↓	■	■

# Russian Federation

Capital: Moscow ++ Official Language: Russian ++ Currency: Russian Ruble

## Basic Facts



GDP	1509 [bn USD]	IPO Volume	4th 1st
Population	142 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Moderately optimistic economic recovery supported by growing oil prices
- Low level of state debt
- Forecasts suggest stable exchange rate of the national currency
- Governmental support for VCPE investments in nanotechnologies (through the foundation and operation of RUSNANO, the state-owned corporation) and for innovation in general

### Weaknesses

- Low levels of transparency
- Lack of solid track record in VCPE obstruct financing on favorable terms
- Weak private sector, infrastructure and corporate governance
- Low per capita income, with a significant difference between major cities and other geographies

### Opportunities

- Preparations for 2014 Olympics and 2018 World Cup are expected to create a substantial flow of infrastructure opportunities
- A second wave of privatization announced by the Government is expected to become one of the key drivers of M&A deals
- Many business are willing to dispose of non-core assets, which may result in additional flow of deals

### Threats

- A fall in the oil price may substantially damage the economy
- An increasing proportion of the economy is being controlled by the state
- Competition from other emerging nations (e.g., China) for VCPE capital
- Investment fund cash flows show that there was a significant outflow of cash in the second half of 2010
- Foreign investors are tired of waiting for reforms and improvements

### Outlook

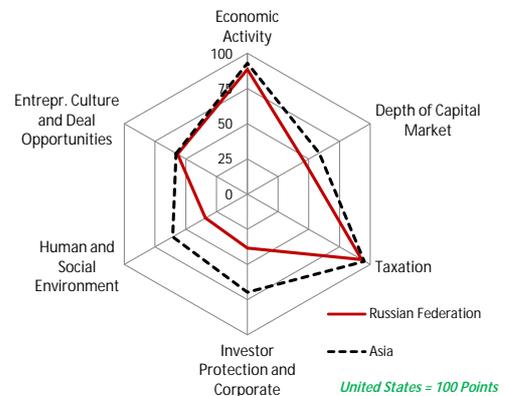
- VCPE players could be attracted if transparency increases
- Many global players see Russia as having stronger prospects in the near- and mid-term than most developed markets

Leonid Saveliev, Ernst & Young  
leonid.saveliev@ru.ey.com

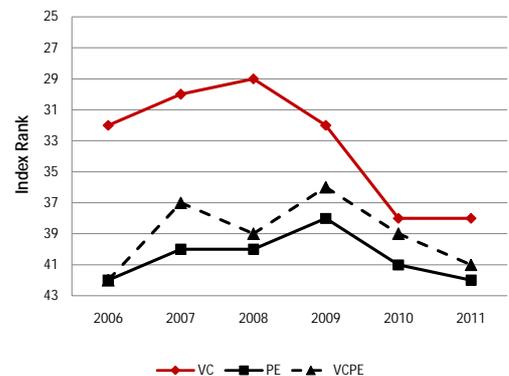
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	37	51,1	41	↓	4th 1st
Economic Activity	5	88,7	26	↓	4th 1st
Depth of Capital Market	36	46,5	36	→	4th 1st
Taxation	60	93,1	53	↑	4th 1st
Inv. Prot./Corp. Gov.	62	38,3	69	↓	4th 1st
Human/Social Env.	57	34,0	72	↓	4th 1st
Entrepr. Cult./Deal Opp.	29	56,7	31	↓	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
India	26	61,4	30	↓	4th 1st
Thailand	28	59,3	34	↓	4th 1st
<b>Russian Federation</b>	37	51,1	41	↓	4th 1st
Indonesia	59	45,2	48	↑	4th 1st
Vietnam	62	42,2	53	↑	4th 1st
Philippines	53	41,2	58	↓	4th 1st
Kazakhstan	54	39,1	61	↓	4th 1st
Armenia	72	25,3	71	↑	4th 1st
Kyrgyzstan	78	14,4	80	↓	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	11	71,6	10	↑	■	■
1.2 Medium-Term Real GDP Growth	21	101,4	46	↓	■	■
1.3 Unemployment	37	96,0	60	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	25	80,0	17	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	28	14,0	34	↓	■	■
2.3 IPO Market Activity	22	61,9	14	↑	■	■
2.4 M&A Market Activity	18	68,9	15	↑	■	■
2.5 Debt and Credit Market	77	46,4	66	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	33	94,5	52	↓	■	■
2.7 Financial Market Sophistication	62	22,4	70	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	60	93,1	53	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	59	37,0	71	↓	■	■
4.2 Security of Property Rights	65	40,7	65	→	■	■
4.3 Quality of Legal Enforcement	66	37,4	67	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	32	53,3	45	↓	■	■
5.2 Labor Market Rigidities	43	60,8	44	↓	■	■
5.3 Bribing and Corruption	70	12,1	75	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	48	38,9	43	↑	■	■
6.2 Scientific and Technical Journal Articles	13	78,5	13	→	■	■
6.3 Ease of Starting and Running a Business	53	77,7	56	↓	■	■
6.4 Simplicity of Closing a Business	51	59,2	57	↓	■	■
6.5 Corporate R&D	32	41,6	33	↓	■	■



## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	23	56,1	24	↓	■	■
1.2 Medium-Term Real GDP Growth	51	125,1	22	↑	■	■
1.3 Unemployment	30	117,4	17	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	33	60,6	30	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	1	43,9	17	↓	■	■
2.3 IPO Market Activity	39	54,6	20	↑	■	■
2.4 M&A Market Activity	79	32,6	56	↑	■	■
2.5 Debt and Credit Market	41	63,2	44	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	29	111,0	16	↑	■	■
2.7 Financial Market Sophistication	49	82,4	26	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	65	86,2	70	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	47	68,3	28	↑	■	■
4.2 Security of Property Rights	37	73,1	35	↑	■	■
4.3 Quality of Legal Enforcement	41	77,9	35	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	41	71,4	30	↑	■	■
5.2 Labor Market Rigidities	61	64,1	38	↑	■	■
5.3 Bribing and Corruption	47	61,7	36	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	27	48,7	33	↓	■	■
6.2 Scientific and Technical Journal Articles	46	52,4	46	→	■	■
6.3 Ease of Starting and Running a Business	77	112,7	4	↑	■	■
6.4 Simplicity of Closing a Business	59	65,8	43	↑	■	■
6.5 Corporate R&D	34	42,9	32	↑	■	■

# Singapore

Capital: Singapore ++ Official Language: English, Mandarin, Malay, Tamil ++ Currency: Singapore Dollar

## Basic Facts



GDP	195 [bn USD]	IPO Volume	4th 1st
Population	5 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - '10	VC Activity	4th 1st
Pop. Growth	'04 - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Corporate perception of VCPE is positive
- Liberal financial environment conducive to optimizing innovative financing structures and access to a well-developed capital market
- Government has an active role through co-investment in new enterprises
- Excellent living environment with access to talent, and favorable taxation for VCPE funds and individuals. Singapore is the regional hub for PE activity in South East Asia
- More sophistication among the corporate community, making deals easier to execute

### Weaknesses

- Government links with some of the largest local companies, limiting their need for external capital
- VC market less robust than the PE market

### Opportunities

- Certain sectors present consolidation opportunities
- A number of businesses are going through generational change
- Deal size is suitable for the limited leverage environment
- Favorable market conditions provide a good exit window for PE portfolios

### Threats

- Stock-market multiples have become more attractive, offering efficient alternatives for capital raising
- While competition from hedge funds has declined, alternative financing sources still present a source of competition to VCPE
- Competition for deals is strong, due to the large quantum of "dry powder" resulting in higher deal multiples

### Outlook

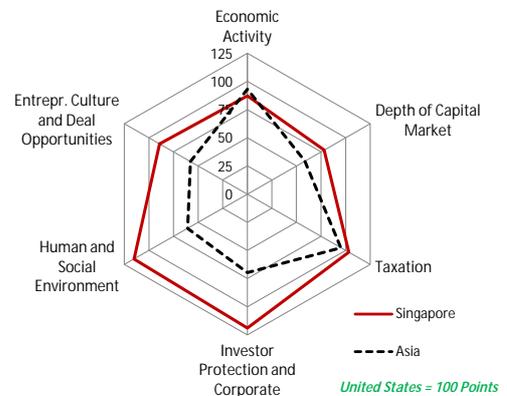
- Given most PE funds are regionally focused, capital will flow to those regional markets that offer the best opportunities
- Strong fundamentals for economic growth and a liberal, supportive Government should support the growth of VCPE activity
- Increased liquidity and stabilization of financial markets have supported a re-emergence of VCPE activity
- The next one to two years could present good opportunities for PE portfolio exits
- Asia-focused funds have significantly increased and will continue to do so as more LPs seek access to the Asian growth story

Luke Pais, Ernst & Young  
luke.pais@sg.ey.com

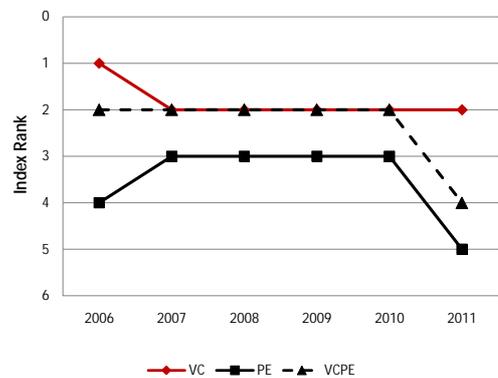
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	2	92,4	4	↓	☒
Economic Activity	8	87,2	30	↓	☒
Depth of Capital Market	9	78,1	8	↑	☒
Taxation	26	103,2	31	↓	☒
Inv. Prot./Corp. Gov.	1	118,9	1	→	☒
Human/Social Env.	1	115,2	1	→	☒
Entrepr. Cult./Deal Opp.	11	89,2	9	↑	☒

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Singapore	2	92,4	4	↓	☒
Japan	6	90,9	6	→	☒
Hong Kong	15	76,5	16	↓	☒
Korea, South	11	75,7	17	↓	☒
China	25	72,3	20	↑	☒
Malaysia	21	72,5	18	↑	☒
Taiwan	27	62,4	27	→	☒
India	26	61,4	30	↓	☒
Thailand	28	59,3	34	↓	☒

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	44	46,2	44	→	■	■
1.2 Medium-Term Real GDP Growth	14	118,3	32	↓	■	■
1.3 Unemployment	10	121,4	10	→	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	6	91,8	7	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	13	58,0	7	↑	■	■
2.3 IPO Market Activity	14	63,2	12	↑	■	■
2.4 M&A Market Activity	16	66,0	18	↓	■	■
2.5 Debt and Credit Market	28	80,5	22	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	39	111,0	16	↑	■	■
2.7 Financial Market Sophistication	9	89,4	19	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	26	103,2	31	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	1	123,0	1	→	■	■
4.2 Security of Property Rights	1	117,2	2	↓	■	■
4.3 Quality of Legal Enforcement	15	116,6	14	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	4	114,0	2	↑	■	■
5.2 Labor Market Rigidities	2	99,3	2	→	■	■
5.3 Bribing and Corruption	4	135,0	3	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	16	83,9	15	↑	■	■
6.2 Scientific and Technical Journal Articles	28	67,3	28	→	■	■
6.3 Ease of Starting and Running a Business	1	123,7	1	→	■	■
6.4 Simplicity of Closing a Business	1	116,1	1	→	■	■
6.5 Corporate R&D	15	69,7	14	↑	■	■

# Slovakia

Capital: Bratislava ++ Official Language: Slovak ++ Currency: Euro

## Basic Facts



GDP	91 [bn USD]	IPO Volume	4th	1st
Population	5 [mn]	M&A Volume	✗	
GDP Growth	'04 - - - - '10	VC Activity	✗	
Pop. Growth	'04 - - - - '10	PE Activity	✗	

## SWOT Analysis

### Strengths

- GDP growth, falling external vulnerability and tight public finances are expected as a result of economic and business-friendly reforms performed in the past
- Skilled workforce attracting FDI
- Healthy banking sector able to respond to the financing needs of enterprises and to provide loans
- The introduction of Euro has protected Slovak economy volatile FX rates

### Weaknesses

- With its large export-oriented manufacturing sector, the economy is heavily exposed to foreign demand
- Cost-based competitiveness is no longer sufficient in many industries
- Further pursuit of market reforms is less of a priority for the current government
- Dependence on economic development in other countries affected by economic crisis

### Opportunities

- Privatization of state-owned companies
- Market saturation lower than in Western European countries
- Increased inflow of EU funds in the financing period 2007-13 is expected to lead to a substantial flow of investment into infrastructure

### Threats

- As the currencies of Central European peers continue to depreciate against the euro, the competitiveness of Slovakia's export-oriented manufacturing sector will be affected
- Export-oriented economy with a significant exposure to the automotive industry
- Substantial dependence on Russia's gas/oil supplies
- Eurozone entry means loss of exchange rate flexibility and poses a threat to price levels

### Outlook

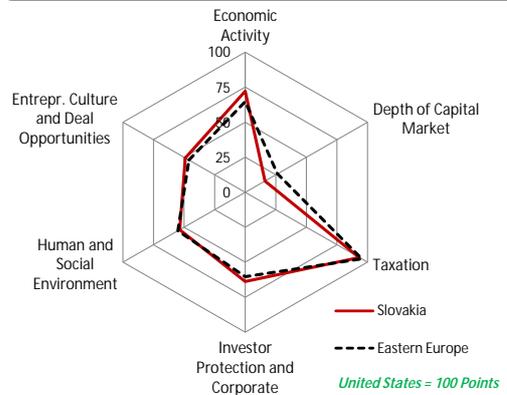
- Forecast to be one of the Eurozone countries with the fastest economic recovery and growth
- Growth prospects remain positive, despite the current global turmoil
- Structural reforms should gradually improve the health of public finance and country prospects

Jozef Mathia, Ernst & Young  
jozef.mathia@sk.ey.com

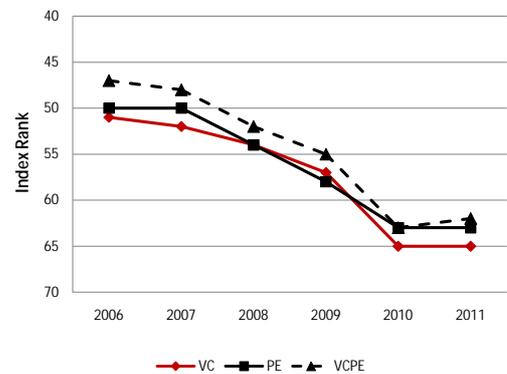
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>48</b>	<b>39,1</b>	<b>62</b>	↓	✗
Economic Activity	38	72,2	54	↓	✗
Depth of Capital Market	59	16,0	65	↓	✗
Taxation	50	93,2	52	↓	✗
Inv. Prot./Corp. Gov.	38	63,8	41	↓	✗
Human/Social Env.	38	53,6	42	↓	✗
Entrepr. Cult./Deal Opp.	39	49,0	40	↓	✗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Bulgaria	50	44,1	51	↓	✗
Croatia	55	43,4	52	↑	✗
Romania	47	41,0	60	↓	✗
Lithuania	46	41,3	57	↓	✗
<b>Slovakia</b>	<b>48</b>	<b>39,1</b>	<b>62</b>	↓	✗
Latvia	56	29,4	67	↓	✗
Ukraine	67	27,8	68	↓	✗
Georgia	68	27,2	69	↓	✗
Moldova	71	22,0	72	↓	✗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	55	36,8	56	↓	■	■
1.2 Medium-Term Real GDP Growth	24	111,3	41	↓	■	■
1.3 Unemployment	70	92,0	62	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	70	21,8	68	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	74	1,2	75	↓	■	■
2.3 IPO Market Activity	59	1,0	67	↓	■	■
2.4 M&A Market Activity	52	23,4	61	↓	■	■
2.5 Debt and Credit Market	39	63,4	43	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	42	98,6	45	↓	■	■
2.7 Financial Market Sophistication	33	71,8	31	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	50	93,2	52	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	23	69,2	27	↓	■	■
4.2 Security of Property Rights	45	62,6	42	↑	■	■
4.3 Quality of Legal Enforcement	44	60,0	49	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	56	37,2	63	↓	■	■
5.2 Labor Market Rigidities	21	75,5	28	↓	■	■
5.3 Bribing and Corruption	39	54,9	42	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	41	35,7	47	↓	■	■
6.2 Scientific and Technical Journal Articles	42	56,2	42	→	■	■
6.3 Ease of Starting and Running a Business	37	88,1	44	↓	■	■
6.4 Simplicity of Closing a Business	56	61,2	54	↑	■	■
6.5 Corporate R&D	50	26,0	49	↑	■	■

# Slovenia

Capital: Ljubljana ++ Official Language: Slovene ++ Currency: Euro

## Basic Facts



GDP	48 [bn USD]	IPO Volume	4th	1st
Population	2 [mn]	M&A Volume	4th	1st
GDP Growth	'04 - - - - - '10	VC Activity	4th	1st
Pop. Growth	'04 - - - - - '10	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- One of the strongest economies in Central and Eastern Europe
- High demand for financing
- Member of the Eurozone – lacks the currency risk associated with many of its peers

### Weaknesses

- Very limited number of local VCPE funds and transactions in the past
- Unfavorable tax and legal regulations for VCPE investments
- Limited number of potential large investments

### Opportunities

- Generally underdeveloped VCPE market provides room for new market entrants
- Increased demand for capital injections
- Potential for participation in the privatization of numerous state-owned/influenced companies

### Threats

- Legal and business conditions are not supporting a dynamic SME sector due to complicated licensing and registration processes and investment barriers
- Lack of maturity in deal-making, slow legal processing and underdeveloped capital market

### Outlook

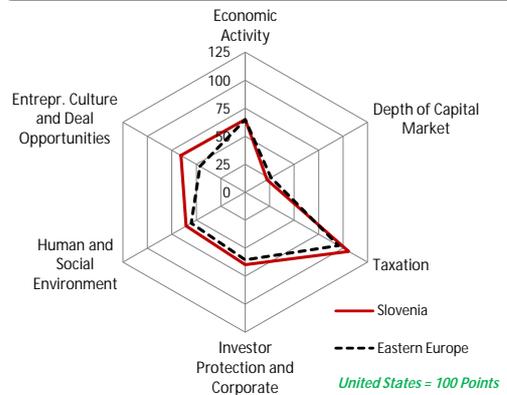
- Small number of transactions, lack of regulatory framework
- Difficulties in accessing traditional bank financing and the lack of experience in restructuring will drive demand for more VCPE activities
- Start-ups exhibiting a dedicated growth and global reach present undervalued opportunities to GPs

Balazs Tuske, Ernst & Young  
balazs.gal@hu.ey.com

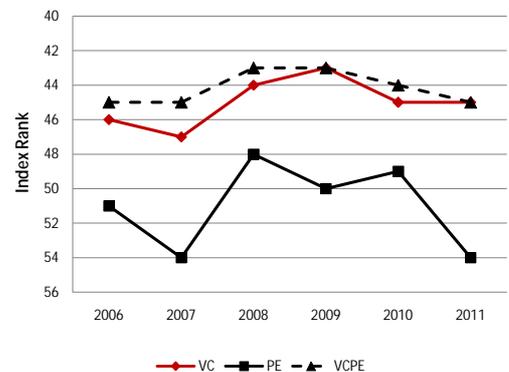
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>45</b>	<b>46,8</b>	<b>45</b>	→	4th
Economic Activity	51	65,0	61	↓	4th
Depth of Capital Market	63	22,2	61	↑	4th
Taxation	12	105,7	23	↓	4th
Inv. Prot./Corp. Gov.	33	64,7	40	↓	4th
Human/Social Env.	28	60,4	36	↓	4th
Entrepr. Cult./Deal Opp.	26	65,6	25	↑	4th

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Poland	35	57,4	36	↓	4th
Czech Republic	34	55,0	37	↓	4th
Turkey	31	52,8	39	↓	4th
Hungary	43	52,0	40	↑	4th
<b>Slovenia</b>	<b>45</b>	<b>46,8</b>	<b>45</b>	→	4th
Estonia	41	44,8	49	↓	4th
Bulgaria	50	44,1	51	↓	4th
Croatia	55	43,4	52	↑	4th
Romania	47	41,0	60	↓	4th

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	61	28,9	63	↓	■	■
1.2 Medium-Term Real GDP Growth	49	83,6	69	↓	■	■
1.3 Unemployment	27	113,4	28	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	56	37,7	53	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	61	2,2	62	↓	■	■
2.3 IPO Market Activity	66	5,7	65	↑	■	■
2.4 M&A Market Activity	57	23,0	62	↓	■	■
2.5 Debt and Credit Market	33	56,6	55	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	34	109,6	19	↑	■	■
2.7 Financial Market Sophistication	41	40,0	56	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	12	105,7	23	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	21	54,1	49	↓	■	■
4.2 Security of Property Rights	44	62,7	41	↑	■	■
4.3 Quality of Legal Enforcement	33	79,9	33	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	27	73,6	28	↓	■	■
5.2 Labor Market Rigidities	64	34,8	71	↓	■	■
5.3 Bribing and Corruption	24	85,9	25	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	31	66,3	22	↑	■	■
6.2 Scientific and Technical Journal Articles	40	57,2	40	→	■	■
6.3 Ease of Starting and Running a Business	40	103,0	11	↑	■	■
6.4 Simplicity of Closing a Business	31	80,9	28	↑	■	■
6.5 Corporate R&D	33	38,3	34	↓	■	■

# South Africa

Capital: Pretoria (administrative); CapeTown (legislative); Bloemfontein (judiciary) ++ Official Language: Afrikaans, English and others ++ Currency: Rand

## Basic Facts



GDP	327 [bn USD]	IPO Volume	
Population	50 [mn]	M&A Volume	
GDP Growth	'04 - '10	VC Activity	
Pop. Growth	'04 - '10	PE Activity	

## SWOT Analysis

### Strengths

- Advanced and liquid stock markets
- Good track record of major PE deals, especially in the retail sector
- Solid banking sector
- Good oversight and protection of investors

### Weaknesses

- Growth has not led to a rise in employment figures
- Skills shortage is still high and the education system is still battling to meet the requirements of the job market

### Opportunities

- Although growth is not as robust as in the rest of the continent, South Africa remains an important gateway for multinationals investing in Africa, and will continue to benefit from the inflow of FDI, even if it is destined for other countries

### Threats

- Pressure on the Government to create jobs has led to some ambiguity about what policies will be followed, e.g., laws on labor brokers
- The nationalization debate remains crucial, and there is no outright direction as to which way it will go
- Any dip in the developed economies, or in China's economic resurgence, might hamper growth of main exports, such as those in the automotive and resources sector

### Outlook

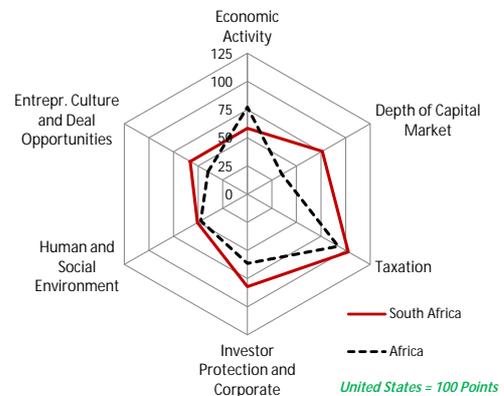
- Economic growth is expected to come in below African average
- Business confidence is generally up; most of the company reports in the first quarter of 2011 show a positive trend
- There is a major retail industry takeover underway with the general backing of the country, although there are some hurdles related to the labor unions
- Major sectors are expected to grow, including the automotive industry where forecasts are of an 11% growth in sales in 2011
- Major banks are beginning to see higher rates of credit applications (some banks reported a 40% increase in credit applications), with repossession rates at a record low

Ajen Sita, Ernst & Young  
 ajen.sita@za.ey.com

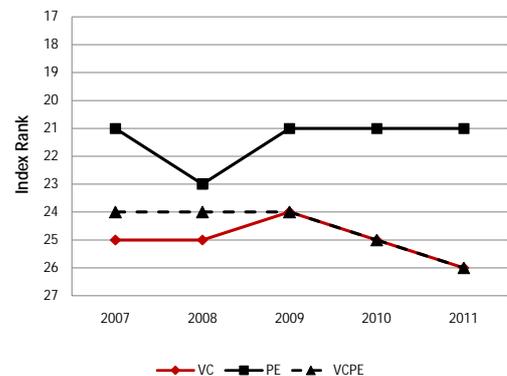
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	<b>24</b>	<b>66,9</b>	<b>26</b>	<b>66,9</b>		
Economic Activity	67	58,5	69	58,5		
Depth of Capital Market	14	76,1	9	76,1		
Taxation	37	102,6	33	102,6		
Inv. Prot./Corp. Gov.	22	82,2	22	82,2		
Human/Social Env.	40	50,6	49	50,6		
Entrepr. Cult./Deal Opp.	27	58,1	29	58,1		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>South Africa</b>	<b>24</b>	<b>66,9</b>	<b>26</b>	<b>66,9</b>		
Egypt	52	41,8	55	41,8		
Morocco	61	41,8	54	41,8		
Tunisia	64	41,5	56	41,5		
Kenya	69	38,3	63	38,3		
Nigeria	66	37,1	64	37,1		
Namibia	70	26,4	70	26,4		
Algeria	76	17,1	77	17,1		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	29	52,6	28	↑	■	■
1.2 Medium-Term Real GDP Growth	43	112,1	38	↑	■	■
1.3 Unemployment	78	34,0	78	→	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	3	121,4	2	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	14	56,6	8	↑	■	■
2.3 IPO Market Activity	36	39,8	32	↑	■	■
2.4 M&A Market Activity	24	59,3	23	↑	■	■
2.5 Debt and Credit Market	8	90,3	7	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	21	93,8	53	↓	■	■
2.7 Financial Market Sophistication	9	107,1	7	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	37	102,6	33	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	5	111,4	3	↑	■	■
4.2 Security of Property Rights	30	75,6	31	↓	■	■
4.3 Quality of Legal Enforcement	43	66,0	45	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	60	33,4	70	↓	■	■
5.2 Labor Market Rigidities	36	62,6	41	↓	■	■
5.3 Bribing and Corruption	37	62,1	35	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	34	41,8	37	↓	■	■
6.2 Scientific and Technical Journal Articles	34	64,0	34	→	■	■
6.3 Ease of Starting and Running a Business	44	89,0	42	↑	■	■
6.4 Simplicity of Closing a Business	49	64,5	49	→	■	■
6.5 Corporate R&D	27	43,2	31	↓	■	■

# Spain

Capital: Madrid ++ Official Language: Spanish ++ Currency: Euro

## Basic Facts



GDP	1425 [bn USD]	IPO Volume	4th 1st
Population	46 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Well-established PE market, especially among middle-market players
- High-level fund managers with proven experience in the PE market
- Mature capital markets in line with the size of the Spanish economy, including the Mercado Alternativo Bursátil (Spain's alternative investment market) has adapted to the size of company that many PE funds have in their portfolios
- Strong banking system
- High level of human capital

### Weaknesses

- Lack of labor market flexibility and mobility which has led to a high level of unemployment and economic cost
- Restricted access to credit
- High level of bureaucracy, with regulatory differences in each of the country's 17 autonomous communities

### Opportunities

- Growth through expansion into Latin America, where Spanish companies have historically been successful
- High returns achievable by investing at the bottom of the economic cycle

### Threats

- Restructuring of national savings banks, which threatens the Spanish financial system
- Increased pessimism toward investment in Spain due to the economic outlook of the country
- Investment analysis compromised by focus on portfolio management
- A prolonged economic downturn could, over time, lead to a loss in human capital due to migration of talent abroad where there are greater opportunities

### Outlook

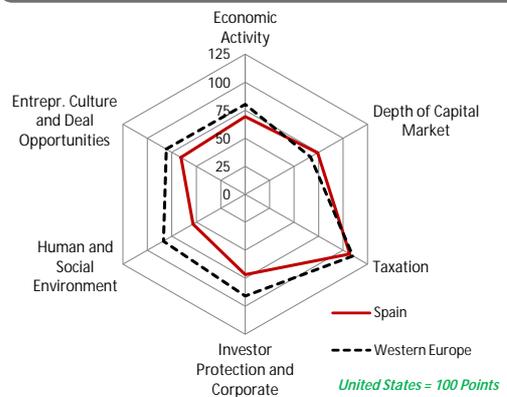
- Declining volume of investments/divestments
- Significant labor market reforms to employment law, collective bargaining and pensions, as well as a fiscal adjustment, will be required to achieve long-term sustainable growth
- PE sector looks set to continue to play an important role in the development of the economy through the management of companies in financial difficulty

Pedro Rodríguez, Ernst & Young  
pedro.rodriguezfernandez@es.ey.com

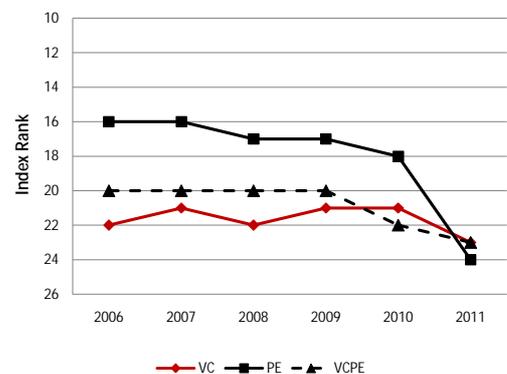
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>20</b>	<b>69,1</b>	<b>23</b>	↓	4th 1st
Economic Activity	36	69,2	56	↓	4th 1st
Depth of Capital Market	11	73,8	10	↑	4th 1st
Taxation	22	106,7	19	↑	4th 1st
Inv. Prot./Corp. Gov.	26	71,7	32	↓	4th 1st
Human/Social Env.	37	53,4	43	↓	4th 1st
Entrepr. Cult./Deal Opp.	21	65,7	24	↓	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
France	17	79,6	14	↑	4th 1st
Belgium	18	76,8	15	↑	4th 1st
Austria	23	71,7	22	↑	4th 1st
<b>Spain</b>	<b>20</b>	<b>69,1</b>	<b>23</b>	↓	4th 1st
Ireland	14	67,7	24	↓	4th 1st
Portugal	38	60,4	31	↑	4th 1st
Italy	32	59,6	32	→	4th 1st
Luxembourg	29	59,3	33	↓	4th 1st
Greece	39	47,9	44	↓	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
1.1 Size of the Economy (GDP)	9	70,9	12	↓	■	■	■	■	×
1.2 Medium-Term Real GDP Growth	63	85,1	66	↓	×	■	■	■	■
1.3 Unemployment	54	54,9	74	↓	×	■	■	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
2.1 Size of the Stock Market	12	82,3	14	↓	■	■	■	■	×
2.2 Stock Market Liquidity (Trading Volume)	9	59,3	6	↑	■	■	■	■	×
2.3 IPO Market Activity	29	51,0	24	↑	■	■	×	■	■
2.4 M&A Market Activity	10	73,0	10	→	■	■	■	■	×
2.5 Debt and Credit Market	14	78,8	24	↓	■	■	×	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	11	97,3	49	↓	■	×	■	■	■
2.7 Financial Market Sophistication	22	85,9	20	↑	■	■	■	×	■

### 3. Taxation

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
3.1 Tax Incentives and Administrative Burdens	22	106,7	19	↑	■	■	■	■	×

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
4.1 Corporate Governance	31	55,5	45	↓	■	×	■	■	■
4.2 Security of Property Rights	26	76,8	30	↓	■	■	×	■	■
4.3 Quality of Legal Enforcement	27	86,6	26	↑	■	■	×	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
5.1 Education and Human Capital	39	46,8	50	↓	■	×	■	■	■
5.2 Labor Market Rigidities	67	38,7	67	→	×	■	■	■	■
5.3 Bribing and Corruption	22	84,2	26	↓	■	■	×	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile				
		Value	Rank		4th	1st			
6.1 Innovation	30	50,7	31	↓	■	■	×	■	■
6.2 Scientific and Technical Journal Articles	9	80,4	9	→	■	■	■	×	■
6.3 Ease of Starting and Running a Business	43	74,4	59	↓	■	×	■	■	■
6.4 Simplicity of Closing a Business	18	93,0	18	→	■	■	■	×	■
6.5 Corporate R&D	25	43,4	30	↓	■	■	×	■	■

# Sweden

Capital: Stockholm ++ Official Language: Swedish ++ Currency: Swedish Krona

## Basic Facts



GDP	440 [bn USD]	IPO Volume	4th 1st
Population	9 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Long-established VCPE industry
- Swedish companies tend to think globally from start-up

### Weaknesses

- Some uncertainty remains in the IPO market, with few PE exits by IPO
- Relatively rigid labor market and high employee-related taxation

### Opportunities

- Large public sector beginning to open to competition
- Strong M&A market with significant transaction activity
- Further leveraging of Sweden's strengths in technology, innovation and entrepreneurship

### Threats

- Currently strong Swedish Krona threatens export competitiveness
- Continued weakness in Eurozone increases the risk of defaults among VCPE-backed companies

### Outlook

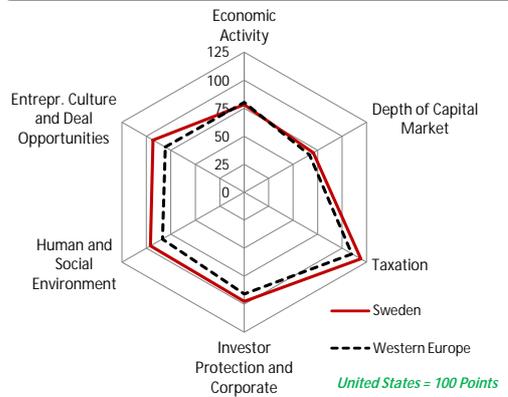
- Sweden remains attractive to both local and overseas investors, and has a mature and sophisticated M&A market

David Ramm, Ernst & Young  
david.ramm@se.ey.com

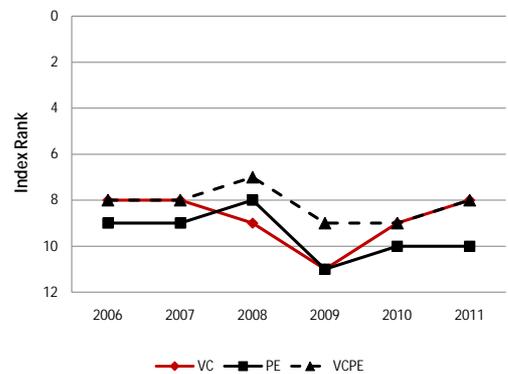
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>8</b>	<b>85,0</b>	<b>8</b>	→	⊗
Economic Activity	39	78,2	45	↓	⊗
Depth of Capital Market	10	70,6	14	↓	⊗
Taxation	1	119,1	1	→	⊗
Inv. Prot./Corp. Gov.	18	97,4	12	↑	⊗
Human/Social Env.	12	95,7	11	↑	⊗
Entrepr. Cult./Deal Opp.	6	93,1	4	↑	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United Kingdom	3	93,3	2	↑	⊗
Switzerland	5	91,8	5	→	⊗
<b>Sweden</b>	<b>8</b>	<b>85,0</b>	<b>8</b>	→	⊗
Netherlands	10	84,3	9	↑	⊗
Germany	16	82,8	10	↑	⊗
Finland	9	82,3	11	↓	⊗
Denmark	13	81,8	12	↑	⊗
Norway	12	81,0	13	↓	⊗
France	17	79,6	14	↑	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	19	56,3	22	↓	■	■
1.2 Medium-Term Real GDP Growth	59	84,5	67	↓	■	■
1.3 Unemployment	36	100,4	52	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	14	66,0	26	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	6	52,1	10	↓	■	■
2.3 IPO Market Activity	31	35,2	37	↓	■	■
2.4 M&A Market Activity	12	64,7	19	↓	■	■
2.5 Debt and Credit Market	16	88,5	12	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	14	113,7	10	↑	■	■
2.7 Financial Market Sophistication	5	110,6	4	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	1	119,1	1	→	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	39	76,2	20	↑	■	■
4.2 Security of Property Rights	19	96,3	15	↑	■	■
4.3 Quality of Legal Enforcement	3	126,2	2	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	9	109,1	4	↑	■	■
5.2 Labor Market Rigidities	37	59,6	46	↓	■	■
5.3 Bribing and Corruption	5	134,9	4	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	7	112,2	1	↑	■	■
6.2 Scientific and Technical Journal Articles	15	75,6	15	→	■	■
6.3 Ease of Starting and Running a Business	14	102,5	13	↑	■	■
6.4 Simplicity of Closing a Business	16	94,4	17	↓	■	■
6.5 Corporate R&D	6	85,4	4	↑	■	■

# Switzerland

Capital: Bern ++ Official Language: German, French, Italian, Romansh ++ Currency: Swiss Franc

## Basic Facts



GDP	510 [bn USD]	IPO Volume	4th 1st
Population	8 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 ■■■■■ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Strong bio-tech, med-tech and pharmaceutical focus; generally, innovative high-tech industries
- Research universities provide a flow of technology spin-offs
- Strong lobbying/support networks improve the VCPE fiscal and regulatory environment
- Plenty of business angels
- Liberal labor law
- Excellent tax treaty network

### Weaknesses

- Small market
- Growing number of PE houses focus on the market; Swiss corporates are also more active, causing more intense competition

### Opportunities

- Presence of major multinationals leads to spin-off opportunities (especially in chemicals and consumer goods)
- Large cash pools looking for opportunities
- Bio-tech opportunities resulting from depressed prices

### Threats

- Increased regulation post-financial crisis

### Outlook

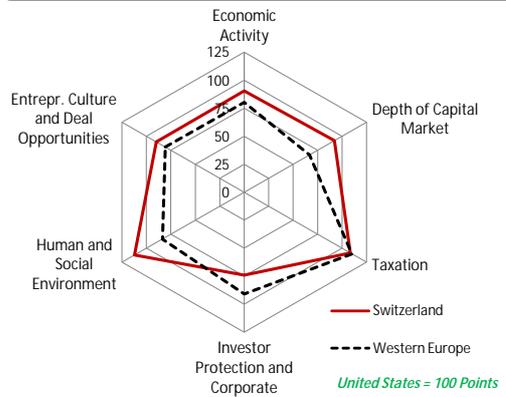
- The positive short-term outlook and the increased focus on Switzerland as a "deal country" will foster the excellent current position

Louis Siegrist, Ernst & Young  
 louis.siegrist@ch.ey.com

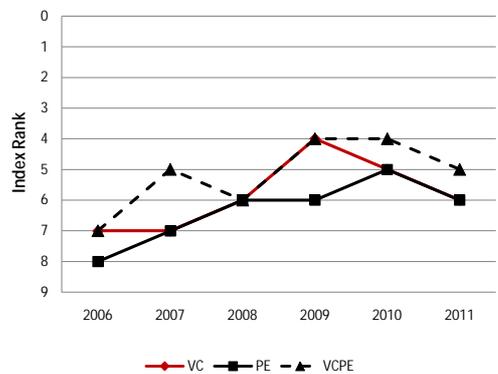
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	5	<b>91,8</b>	5	→	■ ■ ■ ■
Economic Activity	54	90,4	18	↑	■ ■ ■ ■
Depth of Capital Market	4	92,2	3	↑	■ ■ ■ ■
Taxation	11	108,4	13	↓	■ ■ ■ ■
Inv. Prot./Corp. Gov.	27	74,0	28	↓	■ ■ ■ ■
Human/Social Env.	3	112,1	2	↑	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	9	89,7	6	↑	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
United Kingdom	3	93,3	2	↑	■ ■ ■ ■
Switzerland	5	91,8	5	→	■ ■ ■ ■
Sweden	8	85,0	8	→	■ ■ ■ ■
Netherlands	10	84,3	9	↑	■ ■ ■ ■
Germany	16	82,8	10	↑	■ ■ ■ ■
Finland	9	82,3	11	↓	■ ■ ■ ■
Denmark	13	81,8	12	↑	■ ■ ■ ■
Norway	12	81,0	13	↓	■ ■ ■ ■
France	17	79,6	14	↑	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	20	58,1	19	↑	■	■
1.2 Medium-Term Real GDP Growth	69	102,6	45	↑	■	■
1.3 Unemployment	12	123,6	8	↑	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	2	115,7	3	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	2	118,5	1	↑	■	■
2.3 IPO Market Activity	19	49,2	26	↓	■	■
2.4 M&A Market Activity	27	62,9	20	↑	■	■
2.5 Debt and Credit Market	9	94,3	5	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	5	117,2	4	↑	■	■
2.7 Financial Market Sophistication	1	121,2	1	→	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	11	108,4	13	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	71	32,3	74	↓	■	■
4.2 Security of Property Rights	10	105,0	9	↑	■	■
4.3 Quality of Legal Enforcement	12	119,1	10	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	1	122,7	1	→	■	■
5.2 Labor Market Rigidities	22	89,3	10	↑	■	■
5.3 Bribing and Corruption	6	128,6	6	→	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	4	111,6	2	↑	■	■
6.2 Scientific and Technical Journal Articles	17	74,5	17	→	■	■
6.3 Ease of Starting and Running a Business	6	104,2	10	↓	■	■
6.4 Simplicity of Closing a Business	29	78,7	32	↓	■	■
6.5 Corporate R&D	5	85,3	5	→	■	■

# Taiwan

Capital: Taipei ++ Official Language: Standard Mandarin Chinese ++ Currency: New Taiwan Dollar

## Basic Facts



GDP	418 [bn USD]	IPO Volume	4th 1st
Population	23 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 ■■■■■ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Global leader in high-tech manufacturing
- Highly educated labor force
- Growth is underpinned by very good infrastructure and sound monetary and fiscal policy; politically stable
- Government debt is just 26% of GDP and inflation has averaged 1% over the last decade

### Weaknesses

- Rapidly aging population, with the number of working people forecasted to begin shrinking in 2016
- High land and labor costs compared with East Asian neighbors
- Reliance on world markets, with exports equaling around 70% of GDP

### Opportunities

- Taiwan's access to the domestic market in mainland China has improved with the signing of the Economic Cooperation Framework Agreement (ECFA), which will reduce tariffs on 15% of Taiwan's exports to mainland China
- Relaxed regulations regarding capital investment in mainland China
- The Taiwan stock exchange (TWSE) is well developed
- The high-technology VC market is well established and encouraged by the Government

### Threats

- Taiwan is highly dependent on international markets, with the level of domestic consumption rising by just 20% over the period 2000-09, compared with a 31% rise in GDP
- In the medium term the aging population will apply increasing pressure on the Government's budget
- Increasing exports to mainland China, in the context of past tensions

### Outlook

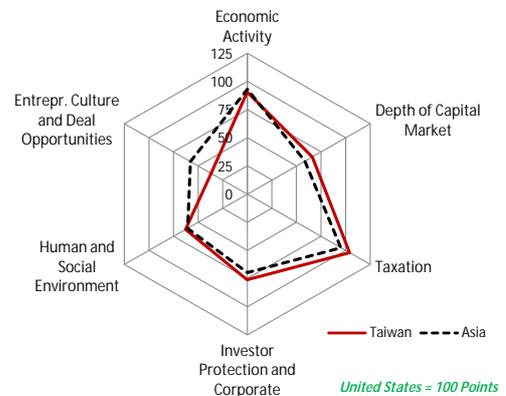
- GDP is forecast to grow by 4.5% in 2011
- Utilizing its skilled workforce and existing position, the economy should retain its leading position in the high-tech industries in the medium term
- The increasingly free movement of capital between mainland China and Taiwan will encourage listing activity on the TWSE
- The potential synergy between Taiwan and Chinese mainland companies remain strong

Audry Ho, Ernst & Young  
audry.ho@tw.ey.com

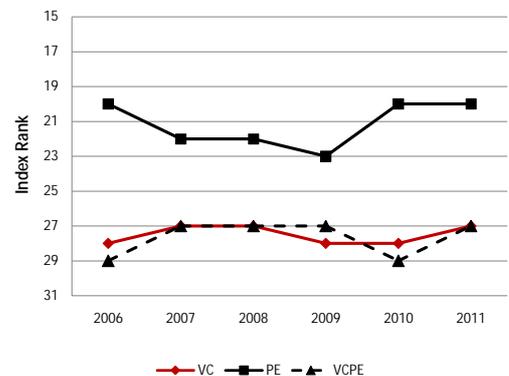
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	27	62,4	27	→	■ ■ ■ ■
Economic Activity	15	90,6	16	↓	■ ■ ■ ■
Depth of Capital Market	21	66,1	17	↑	■ ■ ■ ■
Taxation	33	104,1	28	↑	■ ■ ■ ■
Inv. Prot./Corp. Gov.	32	76,0	25	↑	■ ■ ■ ■
Human/Social Env.	30	62,7	33	↓	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	56	36,7	56	→	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Korea, South	11	75,7	17	↓	■ ■ ■ ■
China	25	72,3	20	↑	■ ■ ■ ■
Malaysia	21	72,5	18	↑	■ ■ ■ ■
<b>Taiwan</b>	27	62,4	27	→	■ ■ ■ ■
India	26	61,4	30	↓	■ ■ ■ ■
Thailand	28	59,3	34	↓	■ ■ ■ ■
Russian Federation	37	51,1	41	↓	■ ■ ■ ■
Indonesia	59	45,2	48	↑	■ ■ ■ ■
Vietnam	62	42,2	53	↑	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	21	55,7	25	↓	■	■
1.2 Medium-Term Real GDP Growth	36	116,0	36	→	■	■
1.3 Unemployment	12	115,2	25	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	13	94,1	6	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	19	30,5	23	↓	■	■
2.3 IPO Market Activity	9	64,6	10	↓	■	■
2.4 M&A Market Activity	28	53,5	30	↓	■	■
2.5 Debt and Credit Market	31	73,7	29	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	71	87,6	62	↑	■	■
2.7 Financial Market Sophistication	36	85,9	20	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	33	104,1	28	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	51	60,0	40	↑	■	■
4.2 Security of Property Rights	24	84,2	24	→	■	■
4.3 Quality of Legal Enforcement	29	86,8	25	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	20	93,3	15	↑	■	■
5.2 Labor Market Rigidities	66	37,0	69	↓	■	■
5.3 Bribing and Corruption	29	71,5	30	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	10	77,8	18	↓	■	■
6.2 Scientific and Technical Journal Articles	71	1,0	71	→	■	■
6.3 Ease of Starting and Running a Business	28	100,6	17	↑	■	■
6.4 Simplicity of Closing a Business	12	102,0	14	↓	■	■
6.5 Corporate R&D	7	83,2	6	↑	■	■

# Thailand

Capital: Bangkok ++ Official Language: Thai ++ Currency: Baht

## Basic Facts



GDP	298 [bn USD]	IPO Volume	4th	1st
Population	65 [mn]	M&A Volume	4th	1st
GDP Growth	'04 - '10	VC Activity	4th	1st
Pop. Growth	'04 - '10	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- Dynamic and solid economy with strong GDP growth
- Improved fundamental competitiveness driven by the shift from industrial to service and creative economy and the increased stability of the financial market

### Weaknesses

- Banking-oriented economy and market perception of VCPE is not widely recognized
- Dependence on capital and low cost of labor
- SMEs are the main source of employment, though with a lesser contribution to the GDP

### Opportunities

- Strong government support for "Regional Office Headquarter" concept
- The Government's substantial investment in public infrastructure, particularly transportation and the utilization of alternative energy
- Regional cooperation, with both bilateral and multilateral arrangements, supports increased productivity and free competition in the domestic market
- Corporate valuation is one of the lowest in the region despite substantial growth and a well-performing economy. This creates a significant valuation gap

### Threats

- The situation for natural resources is declining
- Market perception of corruption and uncertain regulatory regimes
- Worsening economic situation in US and Europe creates downward pressure on the value of the currency, reducing the competitiveness of the export market and adversely affecting the foreign investment environment
- Concerns about the political environment impact the confidence of both consumers and investors

### Outlook

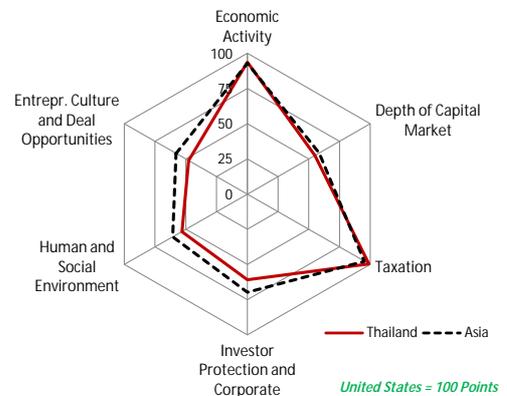
- M&A activity is expected to rise as the economy rebounds and corporations plan for inorganic growth
- Increased liquidity and the rebound of capital markets during the past year should create an attractive environment for VCPE activity

Vorapoj Amnauypanit, Ernst & Young  
vorapoj.amnauypanit@th.ey.com

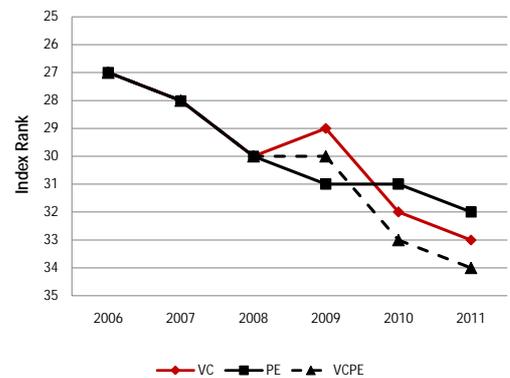
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	28	59,3	34	↓	4th
Economic Activity	18	93,7	11	↑	4th
Depth of Capital Market	27	54,9	28	↓	4th
Taxation	42	99,0	41	↑	4th
Inv. Prot./Corp. Gov.	44	60,7	44	→	4th
Human/Social Env.	41	53,2	44	↓	4th
Entrepr. Cult./Deal Opp.	38	47,7	43	↓	4th

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Malaysia	21	72,5	18	↑	4th
Taiwan	27	62,4	27	→	4th
India	26	61,4	30	↓	4th
<b>Thailand</b>	28	59,3	34	↓	4th
Russian Federation	37	51,1	41	↓	4th
Indonesia	59	45,2	48	↑	4th
Vietnam	62	42,2	53	↑	4th
Philippines	53	41,2	58	↓	4th
Kazakhstan	54	39,1	61	↓	4th

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	33	51,5	32	↑	■	■
1.2 Medium-Term Real GDP Growth	40	116,1	35	↑	■	■
1.3 Unemployment	1	137,5	2	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	32	58,0	31	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	29	17,6	30	↓	■	■
2.3 IPO Market Activity	16	52,8	22	↓	■	■
2.4 M&A Market Activity	22	57,7	25	↓	■	■
2.5 Debt and Credit Market	25	83,0	19	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	70	81,5	70	→	■	■
2.7 Financial Market Sophistication	32	71,8	31	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	42	99,0	41	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	44	67,6	29	↑	■	■
4.2 Security of Property Rights	36	58,5	44	↓	■	■
4.3 Quality of Legal Enforcement	52	56,6	54	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	43	53,7	43	→	■	■
5.2 Labor Market Rigidities	17	78,6	22	↓	■	■
5.3 Bribing and Corruption	52	35,6	57	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	42	33,1	51	↓	■	■
6.2 Scientific and Technical Journal Articles	39	58,7	39	→	■	■
6.3 Ease of Starting and Running a Business	23	92,8	36	↓	■	■
6.4 Simplicity of Closing a Business	68	43,0	69	↓	■	■
6.5 Corporate R&D	43	31,7	40	↑	■	■

# Tunisia

Capital: Tunis ++ Official Language: Arabic ++ Currency: Tunisian Dinar

## Basic Facts



GDP	41 [bn USD]	IPO Volume	
Population	10 [mn]	M&A Volume	
GDP Growth	'04  '10	VC Activity	
Pop. Growth	'04  '10	PE Activity	

## SWOT Analysis

### Strengths

- A well-established internet network and access
- Relatively higher levels of education and other social indicators, and reasonable income equality
- Competitive level of protection for investors and ease of doing business, as well as a low cost of imports and exports

### Weaknesses

- Lack of access to financial services for more than 60% of the population

### Opportunities

- The main opportunities for VCPE investment lay within the main growth industries in Tunisia – the tourism, textiles, agribusiness and technology sectors
- Among the top five countries in Africa in terms of internet penetration, Tunisia is well poised to compete in the modern global economy

### Threats

- The biggest threat is the recent political upheaval and sudden change of government

### Outlook

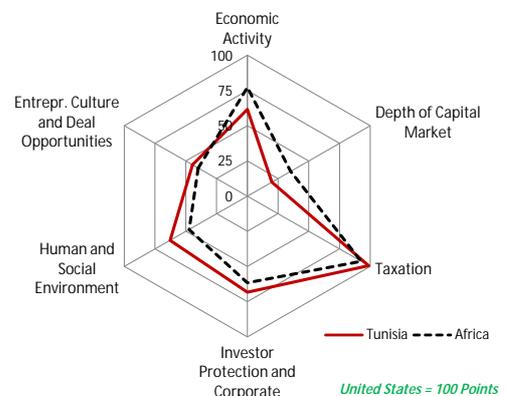
- Moderate growth economy
- With the improving protection of property rights having been Tunisia's strength, investors will want to see a conclusion to the political standoff before committing to Tunisia
- The stock market is reasonably liquid and corporate activity has been on an upward trajectory over the past 24 months

Abdulaziz Al-Sowailim, Ernst & Young  
abdulaziz.al-sowailim@sa.ey.com

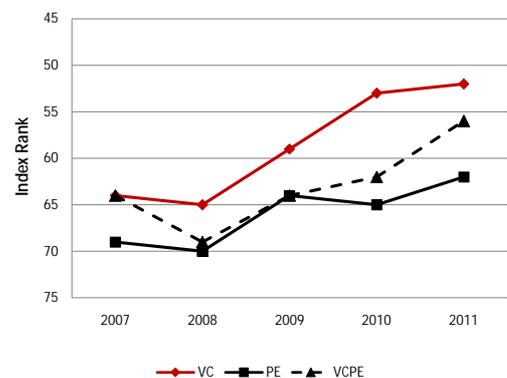
## VCPE-Ranking

	2007 Rank	2011		Quartile	
		Value	Rank	4th	1st
<b>VCPE Ranking</b>	64	41,5	56		
Economic Activity	63	61,6	65		
Depth of Capital Market	73	20,0	64		
Taxation	43	98,7	43		
Inv. Prot./Corp. Gov.	51	68,3	34		
Human/Social Env.	34	62,7	32		
Entrepr. Cult./Deal Opp.	46	44,6	48		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007 Rank	2011		Quartile	
		Value	Rank	4th	1st
South Africa	24	66,9	26		
Egypt	52	41,8	55		
Morocco	61	41,8	54		
<b>Tunisia</b>	64	41,5	56		
Kenya	69	38,3	63		
Nigeria	66	37,1	64		
Namibia	70	26,4	70		
Algeria	76	17,1	77		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	64	26,9	64	→	✗	✗
1.2 Medium-Term Real GDP Growth	44	137,7	15	↑	✗	✗
1.3 Unemployment	75	63,0	72	↑	✗	✗

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	67	31,1	62	↑	✗	✗
2.2 Stock Market Liquidity (Trading Volume)	65	2,6	57	↑	✗	✗
2.3 IPO Market Activity	66	15,6	60	↑	✗	✗
2.4 M&A Market Activity	74	13,6	69	↑	✗	✗
2.5 Debt and Credit Market	47	72,2	30	↑	✗	✗
2.6 Bank Non-Performing Loans to Total Gross Loans	79	14,2	79	→	✗	✗
2.7 Financial Market Sophistication	49	71,8	31	↑	✗	✗

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	43	98,7	43	→	✗	✗

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	77	52,9	51	↑	✗	✗
4.2 Security of Property Rights	34	75,3	32	↑	✗	✗
4.3 Quality of Legal Enforcement	31	79,9	34	↓	✗	✗

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	26	80,2	23	↑	✗	✗
5.2 Labor Market Rigidities	51	56,4	51	→	✗	✗
5.3 Bribing and Corruption	41	54,6	43	↓	✗	✗

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	38	39,3	42	↓	✗	✗
6.2 Scientific and Technical Journal Articles	47	52,4	47	→	✗	✗
6.3 Ease of Starting and Running a Business	19	94,8	30	↓	✗	✗
6.4 Simplicity of Closing a Business	22	89,2	20	↑	✗	✗
6.5 Corporate R&D	64	10,1	63	↑	✗	✗

# Turkey

Capital: Ankara ++ Official Language: Turkish ++ Currency: Turkish Lira

## Basic Facts



GDP	711 [bn USD]	IPO Volume	4th 1st
Population	72 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Following the rebound in Q2 2009, high and sustainable growth potential for nearly all industries, especially in consumer-related sectors
- Highly developed entrepreneurial skills
- Increasing understanding and acceptance of VCPE
- High-quality professional management despite being an emerging market

### Weaknesses

- Lack of skilled workforce for certain industries, despite high unemployment rate
- Low protection of intellectual property rights
- Highly volatile market

### Opportunities

- A substantial young population, growing middle class and increasing per capita income will drive growth in the consumer products sector
- The level of institutionalization and transparency is expected to increase substantially with the enforcement of a new trade law, enacted in January 2011
- There is a growing appetite for acquisition finance, supported by a local banking system that is healthy and liquid
- IPO and M&A activity is increasing, as the economy grows; regulators are offering substantial incentives, such as lowering the minimum percentage float and profitability requirements, and the introduction of secondary markets for companies that cannot meet the listing requirements
- The majority of businesses are small- to medium-sized and family owned, with family members still active in daily management

### Outlook

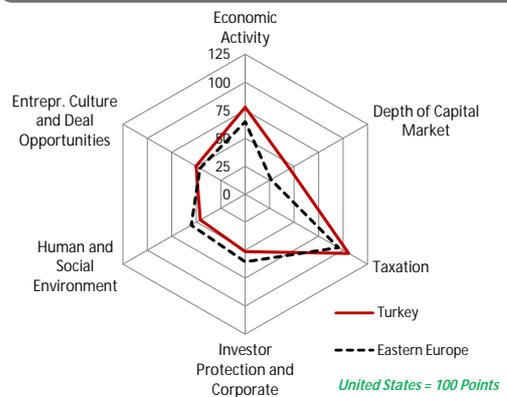
- Turkey is a high potential growth market
- The legal and regulatory framework is still converging to the EU system

Demet Ozdemir, Ernst Young  
demet.ozdemir@tr.ey.com

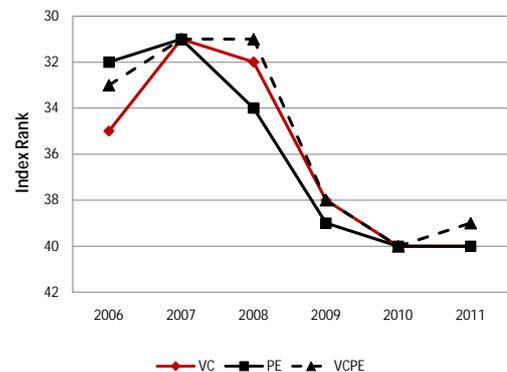
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>31</b>	<b>52,8</b>	<b>39</b>	↓	█ █ █ █
Economic Activity	6	77,6	48	↓	█ █ █ █
Depth of Capital Market	33	45,4	38	↓	█ █ █ █
Taxation	20	105,8	22	↓	█ █ █ █
Inv. Prot./Corp. Gov.	48	51,3	50	↓	█ █ █ █
Human/Social Env.	49	45,7	56	↓	█ █ █ █
Entrepr. Cult./Deal Opp.	36	50,0	36	→	█ █ █ █

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Poland	35	57,4	36	↓	█ █ █ █
Czech Republic	34	55,0	37	↓	█ █ █ █
<b>Turkey</b>	<b>31</b>	<b>52,8</b>	<b>39</b>	↓	█ █ █ █
Hungary	43	52,0	40	↑	█ █ █ █
Slovenia	45	46,8	45	→	█ █ █ █
Estonia	41	44,8	49	↓	█ █ █ █
Bulgaria	50	44,1	51	↓	█ █ █ █
Croatia	55	43,4	52	↑	█ █ █ █
Romania	47	41,0	60	↓	█ █ █ █

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	17	62,3	17	→	■	■
1.2 Medium-Term Real GDP Growth	12	100,1	49	↓	■	■
1.3 Unemployment	61	75,0	70	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	54	37,8	52	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	31	13,6	35	↓	■	■
2.3 IPO Market Activity	30	38,0	34	↓	■	■
2.4 M&A Market Activity	35	55,5	28	↑	■	■
2.5 Debt and Credit Market	45	59,2	52	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	50	95,9	50	→	■	■
2.7 Financial Market Sophistication	33	64,7	41	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	20	105,8	22	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	67	48,2	60	↑	■	■
4.2 Security of Property Rights	47	46,3	59	↓	■	■
4.3 Quality of Legal Enforcement	47	60,5	48	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	48	38,9	61	↓	■	■
5.2 Labor Market Rigidities	58	47,5	60	↓	■	■
5.3 Bribing and Corruption	45	51,8	46	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	43	31,8	53	↓	■	■
6.2 Scientific and Technical Journal Articles	18	73,5	18	→	■	■
6.3 Ease of Starting and Running a Business	29	87,1	45	↓	■	■
6.4 Simplicity of Closing a Business	66	52,2	63	↑	■	■
6.5 Corporate R&D	47	29,5	43	↑	■	■

# Ukraine

Capital: Kyiv ++ Official Language: Ukrainian ++ Currency: Hryvnia

## Basic Facts



GDP	127 [bn USD]	IPO Volume	4th 1st
Population	46 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - '10	VC Activity	4th 1st
Pop. Growth	'04 - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Improved relations with Moscow, which has positively impacted Ukraine's political risk profile and resulted in short-term stability
- Extension of a US\$15.2b emergency stand-by agreement from the IMF significantly reduced the likelihood of a sovereign credit default
- Advantageous geographic location means great potential as a transportation and agricultural hub

### Weaknesses

- Political instability, economic mismanagement, corruption and cronyism are the biggest challenges
- Low possibility of forming parliamentary majorities, and weak government policy-making in the near future
- Absence of a developed stock market
- Production facilities and infrastructure are outdated and require significant capex

### Opportunities

- The investment environment is improving, as the country moves toward market liberalization, cutting back on regulation and removing numerous licensing requirements
- The new tax code is expected to bring cuts in income and VAT tax rates between 2011 and 2014, and reduces the complexity and burden of tax compliance
- Low labor costs
- EURO 2012 football championship hosted by Ukraine and Poland

### Threats

- The new tax code may reinforce the use of tax optimization schemes by Ukrainian entities
- Ukraine's legal system continues to receive a high level of criticism from investors for its inefficiency, frequent delays and common political interference

### Outlook

- Ukraine's economy is expected to underperform its peers due to its overleveraged banking system, high levels of external debt, weak public finances and poor demographics
- Relatively cheap assets have significant potential for future growth

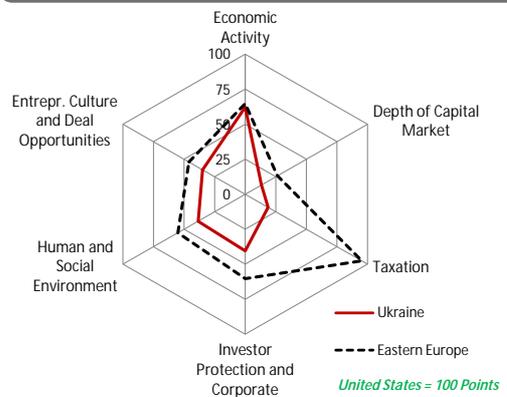
Vitalii Kuzub, Ernst & Young  
vitalii.kuzub@ua.ey.com

Aaron Johnson, Ernst & Young  
aaron.johnson@ua.ey.com

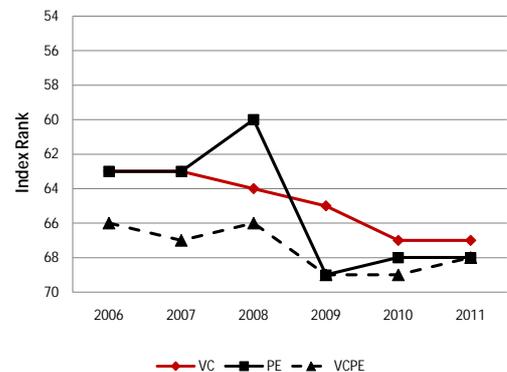
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>67</b>	<b>27,8</b>	<b>68</b>	↓	⊗
Economic Activity	14	62,1	64	↓	⊗
Depth of Capital Market	64	13,2	69	↓	⊗
Taxation	80	18,8	80	→	⊗
Inv. Prot./Corp. Gov.	67	40,4	65	↑	⊗
Human/Social Env.	54	38,5	65	↓	⊗
Entrepr. Cult./Deal Opp.	65	34,8	57	↑	⊗

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Romania	47	41,0	60	↓	⊗
Lithuania	46	41,3	57	↓	⊗
Slovakia	48	39,1	62	↓	⊗
Latvia	56	29,4	67	↓	⊗
<b>Ukraine</b>	<b>67</b>	<b>27,8</b>	<b>68</b>	↓	⊗
Georgia	68	27,2	69	↓	⊗
Moldova	71	22,0	72	↓	⊗
Macedonia	75	19,3	73	↑	⊗
Albania	79	17,8	75	↑	⊗

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	49	40,9	52	↓	■	■
1.2 Medium-Term Real GDP Growth	18	59,5	76	↓	■	■
1.3 Unemployment	33	98,7	57	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	47	32,8	60	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	67	1,7	67	→	■	■
2.3 IPO Market Activity	46	28,8	44	↑	■	■
2.4 M&A Market Activity	46	41,4	51	↓	■	■
2.5 Debt and Credit Market	73	39,0	71	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	77	1,2	80	↓	■	■
2.7 Financial Market Sophistication	66	22,4	70	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	80	18,8	80	→	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	55	57,3	44	↑	■	■
4.2 Security of Property Rights	69	35,2	69	→	■	■
4.3 Quality of Legal Enforcement	65	32,7	70	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	33	54,0	42	↓	■	■
5.2 Labor Market Rigidities	35	70,3	36	↓	■	■
5.3 Bribing and Corruption	67	15,0	72	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	51	39,6	41	↑	■	■
6.2 Scientific and Technical Journal Articles	36	62,9	36	→	■	■
6.3 Ease of Starting and Running a Business	68	68,7	66	↑	■	■
6.4 Simplicity of Closing a Business	79	10,4	80	↓	■	■
6.5 Corporate R&D	41	28,7	45	↓	■	■

# United Arab Emirates

Capital: Abu Dhabi ++ Official Language: Arabic ++ Currency: UAE Dirham

## Basic Facts



GDP	245 [bn USD]	IPO Volume	4th	1st
Population	5 [mn]	M&A Volume	4th	1st
GDP Growth	'04 - '10	VC Activity	4th	1st
Pop. Growth	'04 - '10	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- One of the most liberal trade regimes in the Gulf, attracting strong capital flows across the region
- High number of expatriate workers at all levels of the economy, making up for the otherwise small workforce
- Strong rebound in foreign trade activity and exports, which is improving tourism and economic conditions

### Weaknesses

- Weak credit growth and a still uncertain outlook for Dubai's property market underpin the prospect of a more pronounced recovery, following the 2009 global financial crisis
- A cautious approach should be followed by investors in Dubai, following the 2011 due date for the repayment of US\$16b in debt obligations
- Currency peg to the dollar, giving less control over monetary policy and reducing the ability to tackle inflationary pressure
- Risk profile and investor perceptions affected by events elsewhere (e.g., US concerns about regional militant groups and Iranian weapons of mass destruction programs) due to the state's location in a volatile region

### Opportunities

- Investment is encouraged by the Government through low taxation, import duties and other incentives, thereby strengthening the country's tourism, trade and financial sectors
- Comparatively flexible rules on expatriate employment encourage the proliferation of corporates in the region
- Economic diversification of gas, tourism, financial services and high-tech industries offers some protection against volatile oil prices

### Threats

- Heavy subsidies on utilities and agriculture, combined with an outdated tax system, have contributed to persistent fiscal deficits in the past
- Several high-profile construction projects have been delayed and the property market crash could threaten future development

### Outlook

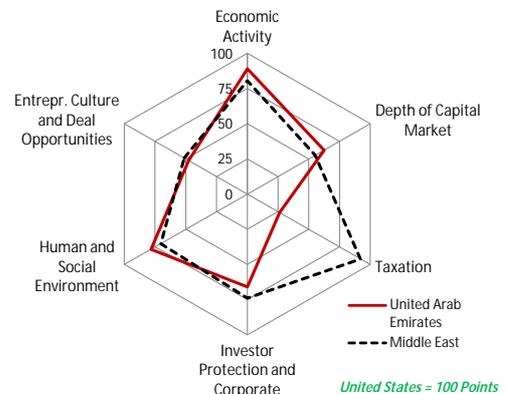
- Ongoing declines in real estate prices and a continuing weak outlook for domestic demand (particularly in Dubai) underpin the view that core inflationary pressures will be relatively muted over the coming year

Azhar Zafar, Ernst & Young  
azhar.zafar@ae.ey.com

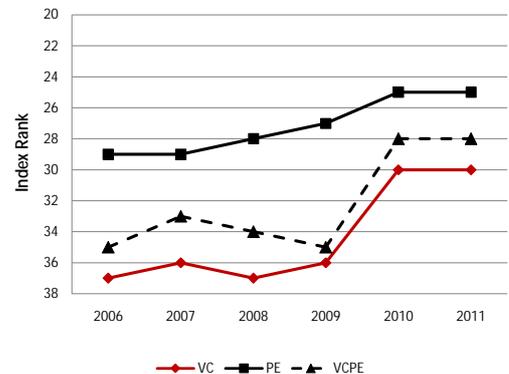
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	33	61,6	28	↑	4th 1st
Economic Activity	4	89,0	25	↓	4th 1st
Depth of Capital Market	29	62,5	22	↑	4th 1st
Taxation	77	26,2	78	↓	4th 1st
Inv. Prot./Corp. Gov.	39	65,8	39	→	4th 1st
Human/Social Env.	22	78,3	19	↑	4th 1st
Entrepr. Cult./Deal Opp.	59	47,7	42	↑	4th 1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Israel	19	72,2	21	↓	4th 1st
Saudi Arabia	36	67,5	25	↑	4th 1st
<b>United Arab Emirates</b>	33	61,6	28	↑	4th 1st
Kuwait	40	57,9	35	↑	4th 1st
Jordan	42	53,2	38	↑	4th 1st
Oman	51	45,6	46	↑	4th 1st
Bahrain	58	44,3	50	↑	4th 1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	37	49,0	34	↑	■	■
1.2 Medium-Term Real GDP Growth	8	116,4	34	↓	■	■
1.3 Unemployment	4	123,6	8	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	35	85,3	12	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	23	30,1	24	↓	■	■
2.3 IPO Market Activity	33	51,2	23	↑	■	■
2.4 M&A Market Activity	51	41,9	50	↑	■	■
2.5 Debt and Credit Market	37	82,5	20	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	64	103,4	33	↑	■	■
2.7 Financial Market Sophistication	29	78,8	29	→	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	77	26,2	78	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	66	44,5	65	↑	■	■
4.2 Security of Property Rights	32	77,0	29	↑	■	■
4.3 Quality of Legal Enforcement	30	83,2	29	↑	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	38	73,0	29	↑	■	■
5.2 Labor Market Rigidities	27	72,1	35	↓	■	■
5.3 Bribing and Corruption	26	91,4	22	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	36	58,7	27	↑	■	■
6.2 Scientific and Technical Journal Articles	57	45,0	57	→	■	■
6.3 Ease of Starting and Running a Business	35	102,9	12	↑	■	■
6.4 Simplicity of Closing a Business	73	26,1	75	↓	■	■
6.5 Corporate R&D	68	34,9	35	↑	■	■

# United Kingdom

Capital: London ++ Official Language: English ++ Currency: Pound Sterling

## Basic Facts



GDP	2223 [bn USD]	IPO Volume	4th 1st
Population	62 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - - - '10	VC Activity	4th 1st
Pop. Growth	'04 ■■■■■■ '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Established global VCPE and financial centre, with large numbers of assets currently under VCPE ownership
- PE, as an asset class, is recognized as an important part of the economy
- Significant rebounding of PE acquisition activity in 2010, with exit opportunities reappearing in M&A markets
- Leverage is returning and is much more accessible than in the last two years

### Weaknesses

- Caution created by continuing economic uncertainty
- Fierce competition for quality assets
- Difficult to establish the stability and growth prospects of individual target assets while emerging from the recession
- IPO markets not a widely accessible exit route for PE assets in the past two years

### Opportunities

- Many attractive investment opportunities will come to market as the pent-up flow of exits continues
- Assets acquired by the banks during economic difficulties are expected to come to market
- While fund-raising still remains difficult, liquidity concerns are likely to recede and fundraising should recover

### Threats

- Macroeconomic uncertainty continues
- An increased regulatory burden may be placed upon PE; the full impact of the regulatory changes are yet to become clear
- Refinancing challenges remain for PE-backed assets
- The IPO market as an exit route for PE remains uncertain

### Outlook

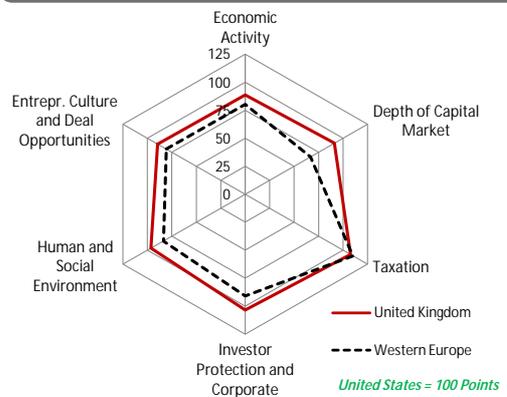
- There is a large portfolio of PE-backed UK assets expected to be exited, so the flow of assets to market is set to increase
- As credit becomes increasingly available by investors searching for yield in the current low-interest rate environment, transactions should continue to scale up in size; similarly, as investors search for yield, terms will shift in favour of borrowers
- Fund-raising conditions will remain challenging

Sachin Date, Ernst & Young  
sdate@uk.ey.com

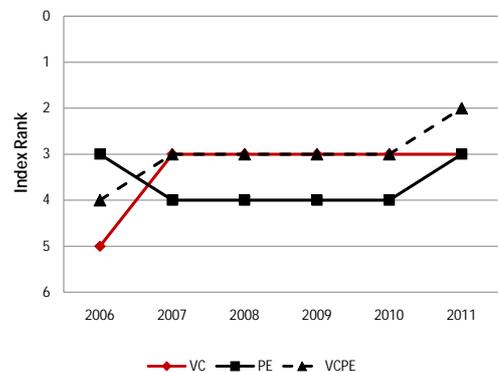
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	3	93,3	2	↑	■ ■ ■ ■
Economic Activity	48	88,6	27	↑	■ ■ ■ ■
Depth of Capital Market	3	91,1	4	↓	■ ■ ■ ■
Taxation	17	107,7	15	↑	■ ■ ■ ■
Inv. Prot./Corp. Gov.	7	103,4	8	↓	■ ■ ■ ■
Human/Social Env.	7	96,3	10	↓	■ ■ ■ ■
Entrepr. Cult./Deal Opp.	4	89,4	7	↓	■ ■ ■ ■

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>United Kingdom</b>	3	93,3	2	↑	■ ■ ■ ■
Switzerland	5	91,8	5	→	■ ■ ■ ■
Sweden	8	85,0	8	→	■ ■ ■ ■
Netherlands	10	84,3	9	↑	■ ■ ■ ■
Germany	16	82,8	10	↑	■ ■ ■ ■
Finland	9	82,3	11	↓	■ ■ ■ ■
Denmark	13	81,8	12	↑	■ ■ ■ ■
Norway	12	81,0	13	↓	■ ■ ■ ■
France	17	79,6	14	↑	■ ■ ■ ■

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	5	76,4	6	↓	■	■
1.2 Medium-Term Real GDP Growth	72	85,2	65	↑	■	■
1.3 Unemployment	25	106,7	39	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	5	86,9	10	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	5	93,8	4	↑	■	■
2.3 IPO Market Activity	5	70,2	7	↓	■	■
2.4 M&A Market Activity	2	86,7	2	→	■	■
2.5 Debt and Credit Market	4	86,5	14	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	19	109,6	19	→	■	■
2.7 Financial Market Sophistication	9	110,6	4	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	17	107,7	15	↑	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	8	102,5	6	↑	■	■
4.2 Security of Property Rights	17	91,8	18	↓	■	■
4.3 Quality of Legal Enforcement	11	117,5	13	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	16	98,2	14	↑	■	■
5.2 Labor Market Rigidities	5	84,9	14	↓	■	■
5.3 Bribing and Corruption	13	107,1	16	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	5	87,1	12	↓	■	■
6.2 Scientific and Technical Journal Articles	3	87,8	3	→	■	■
6.3 Ease of Starting and Running a Business	22	93,9	34	↓	■	■
6.4 Simplicity of Closing a Business	9	107,1	10	↓	■	■
6.5 Corporate R&D	8	74,3	10	↓	■	■

# United States of America

Capital: Washington D.C. ++ Official Language: English ++ Currency: US Dollar

## Basic Facts



GDP	14802 [bn USD]	IPO Volume	4th 1st
Population	309 [mn]	M&A Volume	4th 1st
GDP Growth	'04 - - '10	VC Activity	4th 1st
Pop. Growth	'04 - - '10	PE Activity	4th 1st

## SWOT Analysis

### Strengths

- Better economic recovery compared to other developed markets, particularly Europe
- Recovery of financial markets
- Strong innovation and entrepreneurship culture
- Fully developed and robust VCPE "ecosystem"

### Weaknesses

- Economic recovery not strong enough to show effects on unemployment
- Fragile recovery of domestic demand with individuals threatened by falling house prices and high unemployment
- High individual debt and possible further deleverage of individual households
- Continuous decrease in the number of VC funds
- Decline of VC-backed IPOs

### Opportunities

- Robust innovation and fast growth can be seen in segments such as cleantech, cloud computing, social networks, wireless and security
- Opportunities for strategic partnerships are increasing
- PE-backed IPOs are back

### Threats

- Succession planning in some funds
- Lack of exits impacting the ability to raise new or follow on funds
- Pressure from certain limited partners to define new LP-GP terms
- Accelerated global competition
- State deficit is likely to lead to an increase in taxation and will continue to weaken the US dollar, thus adding foreign exchange risk

### Outlook

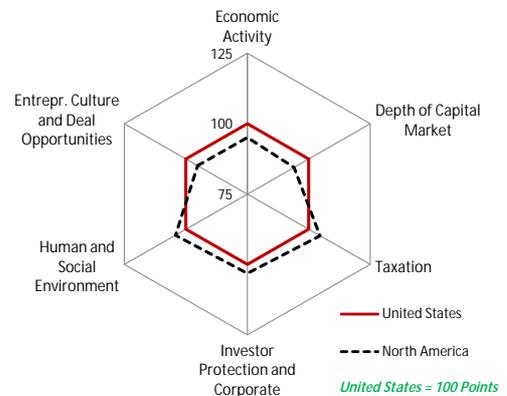
- Industry is strong with investment and growth opportunities in new and innovative segments
- The consolidation of players in the VC industry is expected

Gil Forer, Ernst & Young  
gil.forer@ey.com

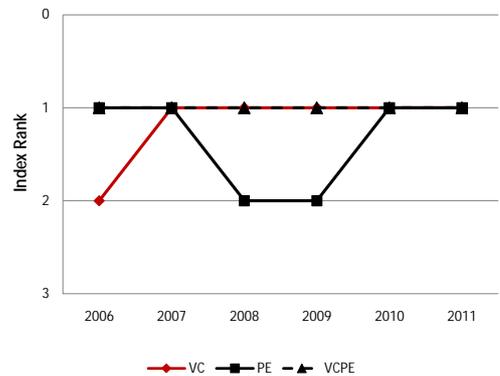
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	<b>1</b>	<b>100,0</b>	<b>1</b>	→	☒
Economic Activity	26	100,0	5	↑	☒
Depth of Capital Market	1	100,0	1	→	☒
Taxation	35	100,0	40	↓	☒
Inv. Prot./Corp. Gov.	9	100,0	9	→	☒
Human/Social Env.	11	100,0	8	↑	☒
Entrepr. Cult./Deal Opp.	1	100,0	2	↓	☒

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>United States</b>	<b>1</b>	<b>100,0</b>	<b>1</b>	→	☒
Singapore	2	92,4	4	↓	☒
United Kingdom	3	93,3	2	↑	☒
Canada	4	93,3	3	↑	☒
Switzerland	5	91,8	5	→	☒
Australia	7	90,2	7	→	☒
Japan	6	90,9	6	→	☒
Sweden	8	85,0	8	→	☒
Netherlands	10	84,3	9	↑	☒

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	1	100,0	1	→	■	■
1.2 Medium-Term Real GDP Growth	65	100,0	50	↑	■	■
1.3 Unemployment	19	100,0	53	↓	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	4	100,0	5	↓	■	■
2.2 Stock Market Liquidity (Trading Volume)	3	100,0	3	→	■	■
2.3 IPO Market Activity	1	100,0	1	→	■	■
2.4 M&A Market Activity	1	100,0	1	→	■	■
2.5 Debt and Credit Market	1	100,0	2	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	14	100,0	39	↓	■	■
2.7 Financial Market Sophistication	3	100,0	11	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	35	100,0	40	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	6	100,0	8	↓	■	■
4.2 Security of Property Rights	14	100,0	13	↑	■	■
4.3 Quality of Legal Enforcement	17	100,0	20	↓	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	7	100,0	12	↓	■	■
5.2 Labor Market Rigidities	1	100,0	1	→	■	■
5.3 Bribing and Corruption	27	100,0	18	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	1	100,0	6	↓	■	■
6.2 Scientific and Technical Journal Articles	1	100,0	1	→	■	■
6.3 Ease of Starting and Running a Business	12	100,0	19	↓	■	■
6.4 Simplicity of Closing a Business	14	100,0	16	↓	■	■
6.5 Corporate R&D	1	100,0	2	↓	■	■

# Uruguay

Capital: Montevideo ++ Official Language: Spanish ++ Currency: Peso Uruguayo

## Basic Facts



GDP	40 [bn USD]	IPO Volume	
Population	3 [mn]	M&A Volume	
GDP Growth	'04 - '10	VC Activity	
Pop. Growth	'04 - '10	PE Activity	

## SWOT Analysis

### Strengths

- Low levels of corruption: ranked 24th out of 178 countries in Transparency International's 2010 Corruption Perceptions Index
- Low levels of organized crime
- IFRS requirement for all firms
- Faster, less costly resolution of bankruptcies, with higher recovery rate than other countries in the region
- Equal treatment of foreign and national investors

### Weaknesses

- Lack of legal framework for VCPE formation and operation
- Complex and expensive tax environment
- Institutional investment only allowed in rated instruments with adequate governance standards
- Underdeveloped capital market, concentrated in sovereign debt, meaning IPOs are not a viable exit option for VCPE funds

### Threats

- Minority shareholders' rights are weak, and transparency is perceived as an issue for these shareholders
- Low protection of intellectual property rights, with complex patent registration

### Opportunities

- Inward investments have simple registration rules, no reserve required and no exchange controls
- Improvement has been seen in the judicial system
- Public and private efforts have been made to promote entrepreneurial activity and start-ups

### Outlook

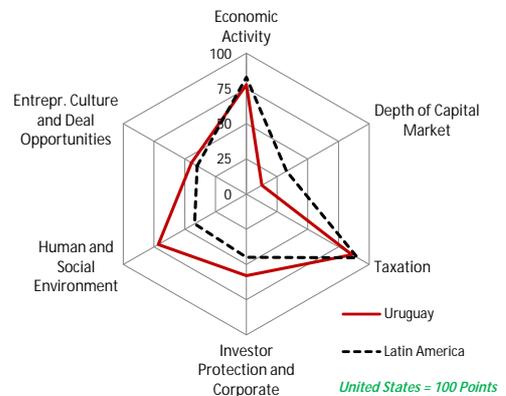
- The VCPE activity will likely decelerate during 2011
- The country could make its VCPE business environment more attractive by adopting a better legal framework for nationally domiciled fund formation and operation, and reducing restrictions on institutional investors

Jose Ricardo Villarmarzo, Ernst & Young  
ricardo.villarmarzo@uyey.com

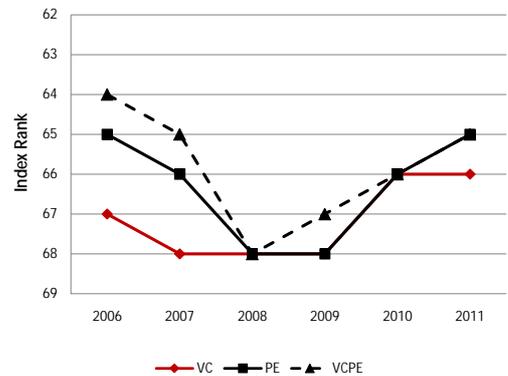
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	65	36,8	65		
Economic Activity	64	77,8	46		
Depth of Capital Market	72	12,7	70		
Taxation	75	86,0	71		
Inv. Prot./Corp. Gov.	47	58,0	49		
Human/Social Env.	27	71,6	23		
Entrepr. Cult./Deal Opp.	52	44,7	47		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Chile	30	61,5	29		
Brazil	57	48,7	43		
Mexico	44	48,7	42		
Colombia	49	45,3	47		
Peru	63	41,1	59		
<b>Uruguay</b>	65	36,8	65		
Argentina	60	36,4	66		
Ecuador	74	17,9	74		
Paraguay	80	15,7	78		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	68	26,7	65	↑	✗	✗
1.2 Medium-Term Real GDP Growth	41	157,1	6	↑	✗	✗
1.3 Unemployment	64	112,5	29	↑	✗	✗

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	77	9,1	77	→	✗	✗
2.2 Stock Market Liquidity (Trading Volume)	77	1,2	73	↑	✗	✗
2.3 IPO Market Activity	66	1,0	67	↓	✗	✗
2.4 M&A Market Activity	71	19,2	66	↑	✗	✗
2.5 Debt and Credit Market	64	55,6	58	↑	✗	✗
2.6 Bank Non-Performing Loans to Total Gross Loans	27	113,7	10	↑	✗	✗
2.7 Financial Market Sophistication	67	40,0	56	↑	✗	✗

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	75	86,0	71	↑	✗	✗

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	48	53,6	50	↓	✗	✗
4.2 Security of Property Rights	46	58,4	45	↑	✗	✗
4.3 Quality of Legal Enforcement	49	62,2	46	↑	✗	✗

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	53	53,7	43	↑	✗	✗
5.2 Labor Market Rigidities	20	76,6	27	↓	✗	✗
5.3 Bribing and Corruption	21	89,4	23	↓	✗	✗

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	63	33,2	50	↑	✗	✗
6.2 Scientific and Technical Journal Articles	61	44,0	61	→	✗	✗
6.3 Ease of Starting and Running a Business	55	65,8	67	↓	✗	✗
6.4 Simplicity of Closing a Business	38	79,6	30	↑	✗	✗
6.5 Corporate R&D	57	23,2	51	↑	✗	✗

# Venezuela

Capital: Caracas ++ Official Language: Spanish ++ Currency: Bolívar Fuerte

## Basic Facts



GDP	301 [bn USD]	IPO Volume	
Population	29 [mn]	M&A Volume	
GDP Growth	'04 - - - - - '10	VC Activity	
Pop. Growth	'04 - - - - - '10	PE Activity	

## SWOT Analysis

### Strengths

- Foreign investors are granted almost equal treatment as nationals, with few restrictions

### Weaknesses

- Unattractive legal framework for foreign investors
- Lack of legal framework for the formation and operation of VCPE
- Lack of political stability
- Sharp fall of foreign investment over recent years
- High levels of corruption, crime, bureaucracy and a politically driven judicial environment
- Currency devaluation trend and complex foreign exchange regulation that significantly limits FX access
- Low investor protection and governance structure

### Threats

- GDP contraction for two consecutive years and a negative outlook for GDP growth in 2011
- Inflation continues to be the highest in the Latin American region
- An energy crisis is likely to occur and no investments are projected in the short and mid term
- Ongoing nationalization and expropriation processes in several industries and sectors
- Strong regulation that discourages transferability of foreign currency (dividend payments/disinvestments)

### Opportunities

- There will only be limited opportunities for foreign investors if the Government continues to expropriate companies from both local and foreign investors
- In the future, as attitudes towards investment changes and legislation and practices are adapted to reflect this, more opportunities for VCPE investors should arise

### Outlook

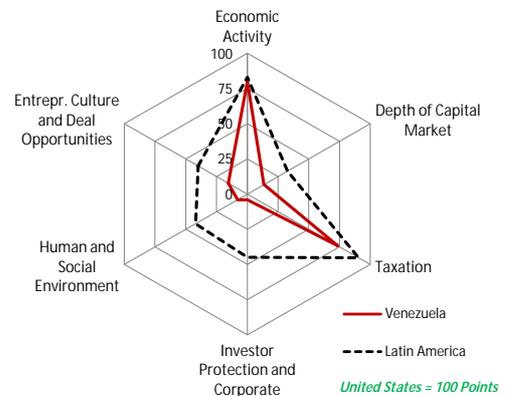
- Negative economic outlook for 2011
- Scarcity of investment opportunities, high uncertainty and political instability is likely to continue
- Environment of market-unfriendly legal reforms is anticipated
- Underinvestment is expected due to lack of guarantees

Jairo A. Labrador, Ernst & Young  
jairo.a.labrador@ve.ey.com

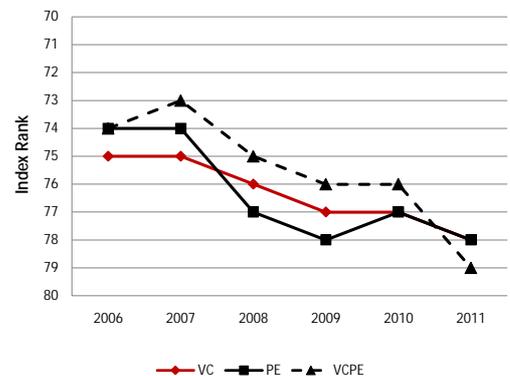
## VCPE-Ranking

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
<b>VCPE Ranking</b>	73	15,2	79		
Economic Activity	2	80,0	41		
Depth of Capital Market	67	13,5	67		
Taxation	74	73,5	76		
Inv. Prot./Corp. Gov.	80	4,2	80		
Human/Social Env.	79	8,0	79		
Entrepr. Cult./Deal Opp.	72	15,5	73		

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007	2011		Quartile	
	Rank	Value	Rank	4th	1st
Brazil	57	48,7	43		
Mexico	44	48,7	42		
Colombia	49	45,3	47		
Peru	63	41,1	59		
Uruguay	65	36,8	65		
Argentina	60	36,4	66		
Ecuador	74	17,9	74		
Paraguay	80	15,7	78		
Venezuela	73	15,2	79		

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	36	51,6	31	↑	■	■
1.2 Medium-Term Real GDP Growth	1	91,7	60	↓	■	■
1.3 Unemployment	58	108,0	38	↑	■	■

### 2. Depth of Capital Market

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	73	19,3	70	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	72	1,3	69	↑	■	■
2.3 IPO Market Activity	66	2,5	66	→	■	■
2.4 M&A Market Activity	53	33,7	55	↓	■	■
2.5 Debt and Credit Market	62	13,5	79	↓	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	21	107,5	23	↓	■	■
2.7 Financial Market Sophistication	60	25,9	67	↓	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	74	73,5	76	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007/ Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	80	7,9	80	→	■	■
4.2 Security of Property Rights	80	4,2	80	→	■	■
4.3 Quality of Legal Enforcement	80	2,2	80	→	■	■

### 5. Human and Social Environment

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	72	24,0	76	↓	■	■
5.2 Labor Market Rigidities	80	15,6	80	→	■	■
5.3 Bribing and Corruption	76	1,4	80	↓	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	73	7,0	77	↓	■	■
6.2 Scientific and Technical Journal Articles	48	51,8	48	→	■	■
6.3 Ease of Starting and Running a Business	78	7,5	80	↓	■	■
6.4 Simplicity of Closing a Business	75	18,3	76	↓	■	■
6.5 Corporate R&D	53	18,1	58	↓	■	■

# Vietnam

Capital: Hanoi ++ Official Language: Vietnamese ++ Currency: Đồng

## Basic Facts



GDP	103 [bn USD]	IPO Volume	4th	1st
Population	89 [mn]	M&A Volume	4th	1st
GDP Growth	'04 [Bar Chart]	VC Activity	4th	1st
Pop. Growth	'04 [Bar Chart]	PE Activity	4th	1st

## SWOT Analysis

### Strengths

- Abundance of natural resources (particularly rice, coffee and tea)
- Comparatively low labor costs
- Political stability
- Strong entrepreneurial culture
- Strong and growing domestic demand

### Weaknesses

- VC nascent working population, lacking practical experience in various sectors
- Administrative procedures still lagging behind regional peers
- Underdeveloped financial markets
- Relatively weak corporate governance
- Financial reporting not yet in line with international standards

### Opportunities

- A rise in the standard of living is creating increasing demand for products and services, particularly in emerging urban centers
- Exports to the US, China and ASEAN bloc are growing, along with increased market access through bilateral and multilateral trade agreements
- Vietnamese enterprises have a greater appetite and scope for operational and financial improvements
- Infrastructural demand is driven by the transformation of the economy

### Threats

- More time-consuming to do business than in neighboring countries due to relatively stricter government regulations
- High inflation rate
- Escalating cost of borrowing Relatively slower progress in the equalization process, infrastructural development and administrative reforms

### Outlook

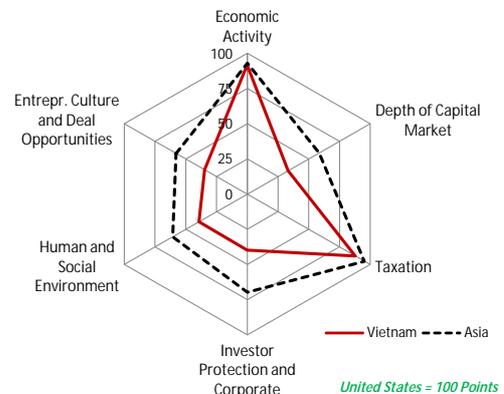
- The economy is expected to expand by more than 6% this year, supported by strong domestic demand and increasingly diverse exports.
- High potential in consumer sectors
- Strong position in commodities production, with potential for more natural resource exploration and infrastructure development
- A recently lowered sovereign credit rating (from Ba3 to B1) and concern about inflation will present challenges for the public sector to gain investors' confidence
- Potential for higher growth, provided economic reforms are implemented efficiently to reduce the cost of doing business in Vietnam

Tom Herron, Ernst & Young  
tom.herron@vn.ey.com

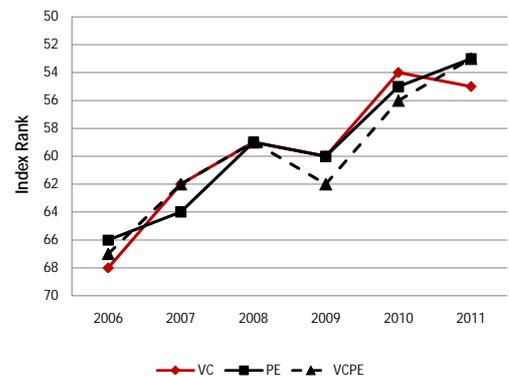
## VCPE-Ranking

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
<b>VCPE Ranking</b>	62	42,2	53	42,2	4th	1st
Economic Activity	13	91,7	13	91,7	4th	1st
Depth of Capital Market	58	33,2	50	33,2	4th	1st
Taxation	64	87,8	69	87,8	4th	1st
Inv. Prot./Corp. Gov.	70	39,8	68	39,8	4th	1st
Human/Social Env.	71	39,2	62	39,2	4th	1st
Entrepr. Cult./Deal Opp.	60	34,7	58	34,7	4th	1st

## Key Factors Performance



## Separate VC and PE Indices



## Comparison within Peer Group

	2007		2011		Quartile	
	Rank	Value	Rank	Value	4th	1st
India	26	61,4	30	61,4	4th	1st
Thailand	28	59,3	34	59,3	4th	1st
Russian Federation	37	51,1	41	51,1	4th	1st
Indonesia	59	45,2	48	45,2	4th	1st
<b>Vietnam</b>	62	42,2	53	42,2	4th	1st
Philippines	53	41,2	58	41,2	4th	1st
Kazakhstan	54	39,1	61	39,1	4th	1st
Armenia	72	25,3	71	25,3	4th	1st
Kyrgyzstan	78	14,4	80	14,4	4th	1st

## Details

### 1. Economic Activity

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
1.1 Size of the Economy (GDP)	57	38,3	55	↑	■	■
1.2 Medium-Term Real GDP Growth	15	158,4	5	↑	■	■
1.3 Unemployment	3	127,2	5	↓	■	■

### 2. Depth of Capital Market

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
2.1 Size of the Stock Market	64	29,8	63	↑	■	■
2.2 Stock Market Liquidity (Trading Volume)	64	3,0	54	↑	■	■
2.3 IPO Market Activity	44	54,3	21	↑	■	■
2.4 M&A Market Activity	58	43,3	47	↑	■	■
2.5 Debt and Credit Market	51	65,1	41	↑	■	■
2.6 Bank Non-Performing Loans to Total Gross Loans	67	89,7	59	↑	■	■
2.7 Financial Market Sophistication	74	36,5	62	↑	■	■

### 3. Taxation

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
3.1 Tax Incentives and Administrative Burdens	64	87,8	69	↓	■	■

### 4. Investor Protection and Corporate Governance

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
4.1 Corporate Governance	79	23,3	77	↑	■	■
4.2 Security of Property Rights	54	50,4	51	↑	■	■
4.3 Quality of Legal Enforcement	56	53,6	56	→	■	■

### 5. Human and Social Environment

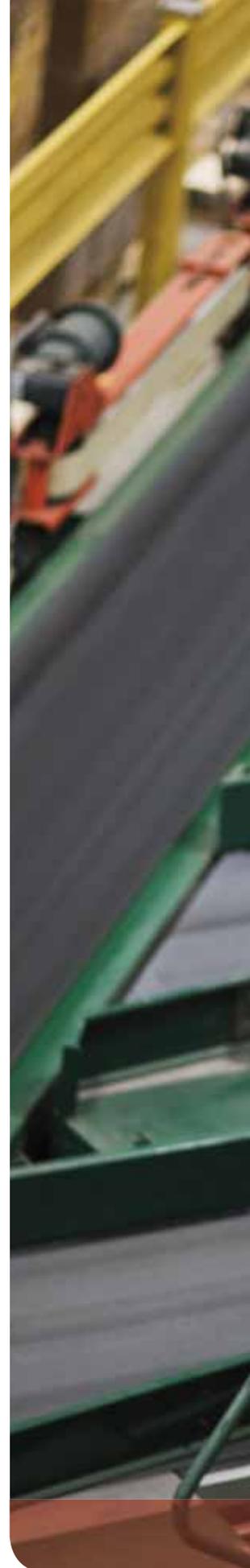
	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
5.1 Education and Human Capital	71	55,3	40	↑	■	■
5.2 Labor Market Rigidities	40	62,7	40	→	■	■
5.3 Bribing and Corruption	72	17,4	70	↑	■	■

### 6. Entrepreneurial Culture and Opportunities

	2007 Rank	2011			Quartile	
		Value	Rank		4th	1st
6.1 Innovation	50	38,4	44	↑	■	■
6.2 Scientific and Technical Journal Articles	59	44,7	59	→	■	■
6.3 Ease of Starting and Running a Business	60	71,0	63	↓	■	■
6.4 Simplicity of Closing a Business	65	41,2	70	↓	■	■
6.5 Corporate R&D	66	10,1	63	↑	■	■

# V. Appendices

Methodology, technical descriptions, limitations, data descriptions, data sources and references





# Computation of the index

The VCPE attractiveness of each country is computed by calculating a weighted average of country performance scores in the six key drivers. The scores within each key driver are derived from the level-2 constructs, respectively from several raw data series.

## Normalization

In order to make the cross-sectional data series comparable, the raw data has to be converted into a common range. The rescaling method is used to normalize indicators to such a range by linear transformation. Thereby, 100 represents the best score, while 1 the worst.

For every individual variable, we define whether high values influence the attractiveness for investors positively or negatively, and hence, assign 100 points either to the highest score (e.g., in case of the GDP per capita) or to the lowest (e.g., in case of high hiring costs).

The sub-item points for every country are calculated according to the following formula:

$$y_{q,i} = 99 \times \left[ \frac{x_{q,i} - \min(x_q)}{\max(x_q) - \min(x_q)} \right] + 1$$

- $y_{q,i}$  = normalized value of category  $q$  and country  $i$
- $x_{q,i}$  = raw data value of category  $q$  and country  $i$
- $\min(x_q)$  = minimum raw data value of category  $q$  within the sample
- $\max(x_q)$  = maximum raw data value of category  $q$  within the sample

### Example

Raw data value [any unit]	1 (lowest value in sample)	12	20 (highest value in sample)
Normalized value [1-100]	$99 \times \frac{(1-1)}{(20-1)} + 1 = 1$	$99 \times \frac{(12-1)}{(20-1)} + 1 = 58$	$99 \times \frac{(20-1)}{(20-1)} + 1 = 100$

## Aggregation

For the index-score calculation, we use geometric aggregation because it is better suited than arithmetic aggregation. Geometric aggregation rewards those countries or those sub-indicators with higher scores. Overall, a shortcoming in the value of one variable or sub-index can be compensated by a surplus in another. Compensability is constant in linear aggregation, while it is smaller in geometric aggregation for the sub-indicators with low values. Therefore, countries with low scores in some sub-indices would benefit from linear aggregation.

For this reason, we use geometric aggregation as follows.

$$Index\ Value_i = \prod_{q=1}^Q y_{q,i}^{w_q}$$

- $Index\ Value_i$  = index value of country  $i$
- $y_{q,i}$  = normalized value of category  $q$  and country  $i$
- $w_q$  = weight of category  $q$

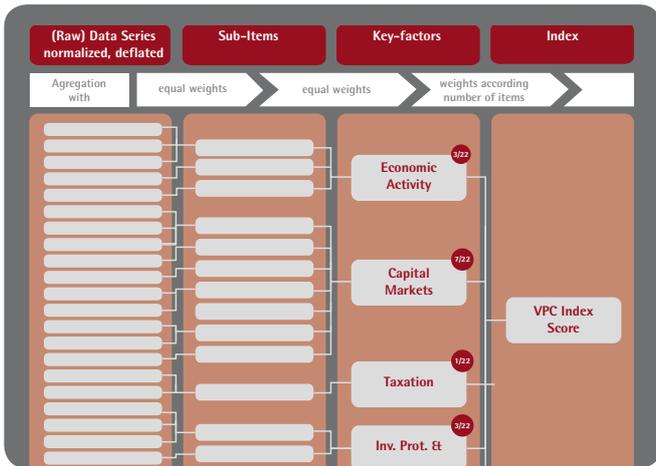
### Example

Category	Economic activity	Depth of a capital market	Investor protection
Weight	0.5	0.25	0.25
Normalized value of country $i$ ( $y_{q,i}$ )	30	40	50
Index value for the country	$(30^{0.5}) \times (40^{0.25}) \times (50^{0.25}) = 36.63$		

## Weighting

After calculating the performance scores for each data series on the lowest level, the scores are aggregated using the aforementioned aggregation method. On the lowest level, items are aggregated with equal weights, i.e., the weights are derived from the number of components that are aggregated.

The following Exhibit shows the aggregation path from the normalized and deflated (raw) data series to the final VCPE Country Attractiveness Index score.



## Statistical validation of the index

Correlation is a measure for the strength and directionality of a linear relationship between two variables. The Pearson-Correlation-Coefficient  $\rho_{x,y}$ , ranges from 0 to  $\pm 1$  (or 0 to  $\pm 100\%$ ), with 0 indicating a non-linear or missing relationship between two data sets and  $\pm 1$  indicating perfect linearity. A positive (negative) correlation indicates a positive (negative) relationship.

$$\rho_{x,y} = \frac{\text{cov}(X,Y)}{\sigma_x \sigma_y} = \frac{E((X - \mu_x)(Y - \mu_y))}{\sigma_x \sigma_y}$$

To test the results of the index calculations, we calculate the correlation between the index scores with the control variable. The results of these analyses are displayed in the following Table. The correlation coefficients are very high for all cases considered. These high values proof the accuracy of the index scores and its ability to measure a countries' attractiveness for investors in VC and PE funds.

	VCPE investments LN (average 2007-2009)	VC investments LN (average 2007-2009)	PE investments LN (average 2007-2009)
VC/PE index 2011	0.8336	-	-
VC index 2011	-	0.8242	-
PE index 2011	-	-	0.8347





## Table with sources and explanations of the data series

	Indicators	Dimension for index calculation	Positive/negative impact	VC	PE	Explanation	Source
1	Economic activity						
1.1	Total economic size	[LN GDP in USD]	+	X	X	The economic size of a country is measured by its gross domestic product (GDP), which is the sum of gross value added by all resident producers in the economy plus any product taxes, minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.	Euromonitor International Monetary Fund, International Financial Statistics
1.2	Medium-term real GDP growth	[%]	+	X	X	Gross domestic product is the sum of gross value added by all resident producers in the economy plus any product taxes, minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.  Real GDP: the number reached by valuing all the productive activity within the country at a specific year's prices. When economic activity of two or more time periods is valued at the same year's prices, the resulting figure allows comparison of purchasing power over time, since the effects of inflation have been removed by maintaining constant prices.	Euromonitor International Monetary Fund, International Financial Statistics and World Economic Outlook/UN/ national statistics
1.3	Unemployment rate	[%]	-	X	X	Unemployment rate: the ILO international standard definition of unemployment is based on the following three criteria which should be satisfied simultaneously: without work, currently available for work and seeking work.	Euromonitor International from International Labor Organization (ILO)
2	Depth of capital market						
2.1	Size of the stock market						
2.1.1	Market capitalization of listed companies	[% of GDP]	+	X	X	Market capitalization is the share price times the number of shares outstanding. Listed domestic companies are the domestically incorporated companies listed on the country's stock exchanges at the end of the year. Listed companies does not include investment companies, mutual funds, or other collective investment vehicles.	World Bank (World Development Indicator)
2.1.2	Listed domestic companies	[LN number]	+	X	X	Listed domestic companies are the domestically incorporated companies listed on the country's stock exchanges at the end of the year. This indicator does not include investment companies, mutual funds, or other collective investment vehicles.	World Bank (World Development Indicator)
2.2	Stock market liquidity (trading volume)	[% of GDP]	+	X	X	Stock market total value traded refers to the total value of shares traded during the period. This indicator complements the market capitalization ratio by showing whether market size is matched by trading.	World Bank (World Development Indicator)
2.3	IPO market activity						
2.3.1	IPO market volume	[LN USDm]	+	X	X	Proceeds amount plus overallotment sold in this market:  This data series shows the proceeds amount of the issue in this market plus the overallotment amount (a.k.a., green shoe) sold in this market; i.e., number of shares in this market plus the overallotment shares sold in this market multiplied by the offer price. A green shoe clause in an underwriting agreement provides that, in the case of excess demand, the issuer will authorize additional shares to be sold through the existing syndicate.	Thomson One Banker
2.3.2	Number of IPOs	[LN number]	+	X	X	Number of initial public offerings (IPOs) in a country.	Thomson One Banker

	Indicators	Dimension for index calculation	Positive/negative impact	VC	PE	Explanation	Source
2.4	M&A market activity						
2.4.1	M&A market volume	[LN USDm]	+	X	X	The data comprise M&A ranking value including net debt of target. According to Thomson, the ranking value is calculated as follows: RANKVAL = the sum of VALNOLIA, straight debt, short-term debt and preferred equity, minus cash.  VALNOLIA: transaction value excluding liabilities assumed; transaction value minus the value of any liabilities agreed to be assumed in the transaction.	Thomson One Banker
2.4.2	Number of M&A deals	[LN number]	+	X	X	Number of M&A deals in a country.	Thomson One Banker
2.5	Debt and credit market						
2.5.1	Domestic credit provided by banking sector	[% of GDP]	+	-	X	Domestic credit provided by the banking sector includes all credit to various sectors on a gross basis, with the exception of credit to the central government, which is net. The banking sector includes monetary authorities and deposit money banks, as well as other banking institutions where data are available (including institutions that do not accept transferable deposits but do incur such liabilities as time and savings deposits). Examples of other banking institutions are savings and mortgage loan institutions and building and loan associations.	World Bank (World Development Indicator)
2.5.2	Ease of access to loans	[-]	+	-	X	This data series measures the perceived simplicity of obtaining a bank loan in a country with only a good business plan and no collateral.	World Economic Forum
2.5.3	Credit information index	[-]	+	-	X	The depth of credit information index measures rules affecting the scope, accessibility and quality of credit information available through either public or private credit registries. The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions. If the registry is not operational or has coverage of less than 0.1% of the adult population, the score on the depth of credit information index is 0.	World Bank, Doing Business
2.5.4	Interest rate spread	[%]	-	-	X	Interest rate spread is the interest rate charged by banks on loans to prime customers minus the interest rate paid by commercial or similar banks for demand, time, or savings deposits.	World Economic Forum; World Development Indicators
2.6	Bank non-performing loans to total gross loans	[%]	-	-	X	Bank non-performing loans to total gross loans are the value of non-performing loans divided by the total value of the loan portfolio (including non-performing loans before the deduction of specific loan-loss provisions). The loan amount recorded as non-performing should be the gross value of the loan as recorded on the balance sheet, not just the amount that is overdue.	World Bank (World Development Indicator)
2.7	Financial market sophistication	[-]	+	-	X	This data series measures the perceived level of sophistication of financial markets in a country. The index ranges 1 to 7, with higher values indicating that financial market sophistication is excellent by international standards and low values indicating that it is poor by international standards.	World Economic Forum

	Indicators	Dimension for index calculation	Positive/negative impact	VC	PE	Explanation	Source
3	Taxation						
3.1	Tax incentives and administrative burdens						
3.1.1	Entrepreneurship incentive	[%]	+	X	-	Difference: income tax minus corporate tax. The meaning of this driver is based on the fact that an employee tends to become entrepreneur if the individual tax payment is significant higher than the corporate tax.	World Bank (World Development Indicator); Fraser Institute
3.1.2	Number of tax payments	[#]	-	X	-	The tax payments indicator reflects the total number of taxes and contributions paid, the method of payment, the frequency of payment and the number of agencies involved for this standardized case during the second year of operation. It includes payments made by the company on consumption taxes, such as sales tax or value added tax. These taxes are traditionally withheld on behalf of the consumer. Although they do not affect the income statements of the company, they add to the administrative burden of complying with the tax system and so are included in the tax payments measure.	World Bank (Doing Business)
3.1.3	Time spent on tax issues	[Hours per year]	-	X	-	Time is recorded in hours per year. The indicator measures the time to prepare, file and pay (or withhold) three major types of taxes and contributions: the corporate income tax, value added or sales tax and labor taxes, including payroll taxes and social 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 made – the time associated with these processes is included. This extra time is included only if the regular accounting work is not enough to fulfill the tax accounting requirements. 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. Where taxes and contributions are paid in person, the time includes delays while waiting.	World Bank (Doing Business)
4	Investor protection and corporate governance						
4.1	Corporate governance						
4.1.1	Disclosure index	[-]	+	X	X	This index measures the extent to which transparency of enterprise related party transactions exists. The index ranges from 0 to 10, with higher values indicating greater disclosure.	World Bank (Doing Business)
4.1.2	Director liability index	[-]	+	X	X	This index measures the extent of liability for self-dealing. For example, the interested director is either not liable or liable only in cases of bad faith, intent, or gross negligence. The index ranges from 0 to 10, with higher values indicating greater liability of directors.	World Bank (Doing Business)
4.1.3	Shareholder suits index	[-]	+	X	X	This index measures the extent of shareholders' ability to sue officers and directors for misconduct. The index ranges from 0 to 10, with higher values indicating greater powers of shareholders to challenge the transaction.	World Bank (Doing Business)
4.1.4	Legal rights index	[-]	+	X	X	The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders, and thus facilitate lending. The index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit.	World Bank (Doing Business)
4.1.5	Efficacy of corporate boards	[-]	+	X	X	Corporate governance by investors and boards of directors in your country is characterized by (1 = management has little accountability, 7 = investors and boards exert strong supervision of management decisions).	World Economic Forum
4.2	Security of property rights						
4.2.1	Legal enforcement of contracts	[-]	+	X	X	This component estimates for the time and money required to collect a clear-cut debt. The index ranges from 1 to 10, with higher values indicating stronger legal enforcement of contracts.	Fraser Institute

	Indicators	Dimension for index calculation	Positive/negative impact	VC	PE	Explanation	Source
4.2.2	Property rights	[-]	+	X	X	Property rights is an assessment of the ability of individual to accumulate private property, secured by clear laws that are fully enforced by the state. The index ranges from 1 to 10, with higher values indicating higher protection of property rights.	Fraser Institute
4.2.3	Intellectual property protection	[-]	+	X	X	This data series measures the perceived "intellectual property protection" in a country. The index ranges from 1 to 7, with higher values indicating that Intellectual property protection and anti-counterfeiting measures in a country are strong and enforced whereas low values indicate the opposite.	World Economic Forum (Executive Opinion Survey 2007, 2008)
4.3	Quality of legal enforcement						
4.3.1	Judicial independence	[-]	+	X	X	This data series measures the perceived judicial independence in a country. The index ranges from 1 to 7, with higher values indicating that the judiciary in a country is independent from political influences of members of government, citizens, or firms and lower values indicating that it is heavily influenced.	World Economic Forum (Global Competitiveness Report)
4.3.2	Impartial courts	[-]	+	X	X	This data series measures the perceived quality of the legal framework in a country. The index ranges from 0 to 10, with higher values indicating that the framework in a country for private businesses to settle disputes and challenge the legality of government actions and/or regulations follows a clear, neutral process. Lower values indicate that the framework seems to be inefficient and subject to manipulation.	Fraser Institute
4.3.3	Integrity of the legal system	[-]	+	X	X	This component is based on two sub-components. Each sub-component equals half of the total. The "law" sub-component assesses the strength and impartiality of the legal system, and the "order" sub-component assesses popular observance of the law. The index ranges from 0 to 10. High rating values indicate a sound legal system.	Fraser Institute, PRS Group (International Country Risk Guide)
4.3.4	Rule of law	[-]	+	X	X	Rule of law measures the extent to which agents have confidence in and abide by the rules of society, in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence. The index ranges from -2.5 to 2.5 with higher values corresponding to better governance outcomes.	World Bank (Worldwide Governance Indicator)
4.3.5	Regulatory quality	[-]	+	X	X	Regulatory quality measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. The index ranges from -2.5 to 2.5 with higher values corresponding to better governance outcomes.	World Bank (Worldwide Governance Indicator)
5	Human and social environment						
5.1	Education and human capital						
5.1.1	Quality of the educational system	[-]	+	X	-	This data series measures the perceived quality of the educational system in a country. The index ranges from 1 to 7, with higher values indicating that the educational system in a country meets the needs of a competitive economy. Low values indicate that the system does not meet the needs of a competitive economy.	World Economic Forum
5.1.2	Quality of scientific research institutions	[-]	+	X	-	This data series measures the perceived quality of scientific research institutions in a country. The index ranges from 1 to 7, with higher values indicating that Scientific research institutions in a country (e.g., university laboratories, government laboratories) are the best in their fields internationally. Low values indicate that they are not competitive or non-existent.	World Economic Forum

	Indicators	Dimension for index calculation	Positive/negative impact	VC	PE	Explanation	Source
5.2	Labor market rigidities						
5.2.1	Difficulty of hiring index	[-]	-	X	X	<p>This index measures the difficulty of hiring regarding:</p> <ul style="list-style-type: none"> <li>(i) whether fixed-term contracts are prohibited for permanent tasks</li> <li>(ii) the maximum cumulative duration of fixed-term contracts</li> <li>(iii) the ratio of the minimum wage for a trainee or first time employee to the average value added per worker</li> </ul> <p>The index ranges from 0 to 100. High scores are assigned to countries where fixed-term contracts are prohibited for permanent tasks, the maximum cumulative duration of fixed-term contracts is low, and if the ratio of the minimum wage to the average value added per worker is high.</p>	World Bank (Doing Business)
5.2.2	Rigidity of hours index	[-]	-	X	X	<p>This index measures the rigidity of hours index regarding five components:</p> <ul style="list-style-type: none"> <li>(i) whether night work is unrestricted/whether weekend work is unrestricted</li> <li>(ii) whether the work week can consist of 5.5 days</li> <li>(iii) whether the work week can extend to 50 hours or more (including overtime) for two months a year to respond to a seasonal increase in production</li> <li>(iv) whether paid annual vacation is 21 working days or fewer</li> </ul> <p>The index ranges from 0 to 100. High scores are assigned to countries where the five before mentioned statements are not true.</p>	World Bank (Doing Business)
5.2.3	Difficulty of firing index	[-]	-	X	X	<p>The difficulty of firing index has eight components:</p> <ul style="list-style-type: none"> <li>(i) whether redundancy is disallowed as a basis for terminating workers</li> <li>(ii) whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker</li> <li>(iii) whether the employer needs to notify a third party to terminate a group of 25 redundant workers</li> <li>(iv) whether the employer needs approval from a third party to terminate 1 redundant worker</li> <li>(v) whether the employer needs approval from a third party to terminate a group of 25 redundant workers</li> <li>(vi) whether the law requires the employer to reassign or retrain a worker before making the worker redundant</li> <li>(vii) whether priority rules apply for redundancies</li> <li>(viii) whether priority rules apply for reemployment</li> </ul> <p>For the first question an answer of yes for workers of any income level gives a score of 10 and means that the rest of the questions do not apply. An answer of yes to question (iv) gives a score of 2. For every other question, if the answer is yes, a score of 1 is assigned; otherwise a score of 0 is given. Questions (i) and (iv), as the most restrictive regulations, have greater weight in the construction of the index.</p>	World Bank (Doing Business)
5.2.4	Firing costs	[Weeks of wages]	-	X	X	<p>The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. If the firing cost adds up to eight or fewer weeks of salary, a score of 0 is assigned. If the cost adds up to more than eight weeks of salary, the score is the number of weeks. One month is recorded as four and one-third weeks.</p>	World Bank (Doing Business)

	Indicators	Dimension for index calculation	Positive/negative impact	VC	PE	Explanation	Source
5.3	Bribery and corruption						
5.3.1	Bribery and corruption index	[-]	+	X	X	This index describes the overall extent of corruption (frequency and/or size of bribes) in the public and political sectors. The index ranges from 0 to 10. Countries where bribery and corruption cases are frequent receive a low rating score.	Transparency International
5.3.2	Control of corruption	[-]	+	X	X	This data series measures the perception of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Countries in which seemingly public power is frequently used for private gain a low rating score. The index ranges from -2.5 to 2.5 with higher values corresponding to better governance outcomes.	World Bank (Worldwide Governance Indicator)
5.3.3	Extra payments/bribes	[-]	+	X	X	This index measures the frequency of extra payments and bribes firms pay in a country. The index ranges from 0 to 10 with higher values corresponding to better governance outcomes. Countries where these payments are frequent receive a low rating score.	Fraser Institute
6	Entrepreneurial culture and deal opportunities						
6.1	Innovation						
6.1.1	General innovativeness index	[-]	+	X	-	The framework groups the eight pillars of innovation into two categories: inputs and outputs. The five input pillars – institutions and policies, human capacity, infrastructure, technological sophistication and business markets and capital – represent aspects which enhance the capacity of a nation to generate ideas and leverage them for innovative products and services. The three output pillars – knowledge, competitiveness and wealth – represent the ultimate benefits of innovation for a nation – more knowledge creation, increased competitiveness and greater wealth generation. Each pillar of the GII model is measured by a number of quantitative and qualitative variables. The averaged scores for the input and output pillars together give an overall score – the GII. The values of each variable for the country are scaled on a range of 1 to 7.	INSEAD
6.1.2	Capacity for innovation	[-]	+	X	-	This index measures the perceived capacity for innovation in a country. The index ranges from 1 to 7 with higher values indicating that companies obtain technology by conducting formal research and pioneering their own new products and processes. Low values indicate that companies obtain technology exclusively from licensing or imitating foreign companies.	World Economic Forum
6.2	Scientific and technical journal articles	[LN number]	+	X	-	The data series scientific and technical journal articles refer to the number of scientific and engineering articles published in the following fields: physics, biology, chemistry, mathematics, clinical medicine, biomedical research, engineering and technology, and earth.	World Bank (World Development Indicator)
6.3	Ease of starting and running a business						
6.3.1	Number of procedures to start of business	[#]	-	X	-	This data series provides the average number of administrative procedures necessary to start a business in a country.  A procedure is defined as any interaction of the company founder with external parties (for example, government agencies, lawyers, auditors or notaries). Interactions between company founders or company officers and employees are not counted as procedures. 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 conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included.	World Bank (Doing Business)

	Indicators	Dimension for index calculation	Positive/negative impact	VC	PE	Explanation	Source
6.3.2	Time needed to start a business	[Days]	-	X	-	This data series provides the average number of days necessary to start a business in a country.  Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. It is assumed that the minimum time required for each procedure is one day.	World Bank (Doing Business)
6.3.3	Cost of business start-up procedures	[% of income per capita]	-	X	-	This data series provides the average amount of money necessary to start a business in a country.  Cost is recorded as a percentage of the country's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law. Fees for purchasing and legalizing company books are included if these transactions are required by law. The cost excludes bribes.	World Bank (Doing Business)
6.3.4	Minimum capital requirements	[% of income per capita]	-	X	-	The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank or with a notary before registration and up to three months following incorporation and is recorded as a percentage of the country's income per capita. The amount is typically specified in the commercial code or the company law. Many countries have a minimum capital requirement but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation.	World Bank (Doing Business)
6.3.5	Administrative requirements	[-]	+	X	-	This data series measures the perceived administrative requirements in a country. The index ranges from 0 to 10 with higher values indicating that complying with administrative requirements (permits, regulations, reporting) issued by the government in a country is not burdensome. Lower values indicate that the administrative requirements are perceived as burdensome.	Fraser Institute
6.4	Simplicity of closing a business						
6.4.1	Time for closing a business	[Years]	-	X	-	This data series provides the average number of years necessary to close a business in a country.  Time is recorded in calendar years. Information is collected on the sequence of procedures and on whether any procedures can be carried out simultaneously. Potential delay tactics by the parties, such as the filing of dilatory appeals or requests for extension, are taken into consideration.	World Bank (Doing Business)
6.4.2	Costs for closing a business	[% of estate]	-	X	-	This data series provides the average costs of closing a business in a country.  The cost of the proceedings is recorded as a percentage of the estate's value. The cost is calculated on the basis of survey responses by insolvency practitioners and includes court fees as well as fees of insolvency practitioners, independent assessors, lawyers and accountants. Respondents provide cost estimates from among the following options: less than 2%, 2%–5%, 5%–8%, 8%–11%, 11%–18%, 18%–25%, 25%–33%, 33%–50%, 50%–75% and more than 75% of the value of the business estate.	World Bank (Doing Business)

	Indicators	Dimension for index calculation	Positive/negative impact	VC	PE	Explanation	Source
6.4.3	Recovery rate	[Cents on USD]	+	X	-	The recovery rate is recorded as cents on the dollar recouped by creditors through the bankruptcy or insolvency proceedings. The calculation takes into account whether the business emerges from the proceedings as a going concern as well as costs and the loss in 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 (one cent for each percentage of the initial value). Finally, the value lost as a result of the time the money remains tied up in insolvency proceedings 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 furniture is taken to be 20%. The furniture is assumed to account for a quarter of the total value of assets. The recovery rate is the present value of the remaining proceeds, based on end-2006 lending rates from the IMF's International Financial Statistics, supplemented with data from central banks.	World Bank (Doing Business)
6.5	Corporate R&D						
6.5.1	Company spending on R&D	[-]	+	X	X	This index measures the company spending on R&D in a country. The index ranges from 1 to 7 with higher values indicating that companies in a country spend heavily on research and development relative to international peers. Low values indicate that companies do not spend money on research and development.	World Economic Forum
6.5.2	Utility patents	[LN Number]	+	X	X	This data series provides the number of utility patents (i.e., patents for invention) granted between 1 January and 31 December 2007, per million population.	World Economic Forum
	Correlation data						
	Venture capital investments	LN [USDm]		X		Amount of venture capital investments in a country per year. The country is defined by fund location. Thomson Reuters uses the term to describe the universe of venture investing. It does not include buyout investing, mezzanine investing, fund of fund investing, secondaries, etc.	Thomson One
	Private equity investments	LN [USDm]			X	Amount of private equity investments in a country per year. The country is defined by fund location. Thomson Reuters uses the term to describe the universe of private equity investing. It does include buyout investing, mezzanine investing, fund of fund investing, secondaries, etc.	Thomson One
	Venture capital and private equity investments	LN [USDm]		X	X	The sum of venture capital and private equity investments in a country per year.	Thomson One

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# The Global Venture Capital and Private Equity Country Attractiveness Index

2011 annual

This report presents the results of a comprehensive research project on how to measure the attractiveness of a country for equity capital investors. Designed to be an index produced annually, it is a dynamic product.

An online version that uses the most recent data and allows for country comparisons can be found at <http://blog.iese.edu/vcpeindex/>

Ernst & Young are delighted to be associated with the report and hope that the information is unique in supporting PE and VC houses with equity investment decisions and governments on what needs to be done to attract international risk capital.



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