

The power of three

Together, governments, entrepreneurs and corporations can spur growth across the G20

The EY G20 Entrepreneurship Barometer 2013

Country profiles

Argentina
Australia
Brazil
Canada
China
France
Germany
India
Indonesia
Italy
Japan
Mexico
Russia

► **Saudi Arabia**

South Africa
South Korea
Turkey
United Kingdom
United States
European Union

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font.

Building a better
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G20
Young Entrepreneurs'
Alliance

Saudi Arabia at a glance



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Impressive progress being made,
but tough cultural shift still required

Key facts

Overall Barometer ranking	Quartile 3
Population	29.1 million
GNI per capita (PPP)	US\$25,010 (2011)
GDP growth	6.8% (2011)
Exports as % of GDP	61.6%

Source: The World Bank, 2012



Saudi Arabia is one of the best performing rapid-growth economies in the EY G20 Entrepreneurship Barometer 2013, thanks to laudable efforts to reform its overall business environment in recent years. As one example, in the latest World Bank Doing Business ranking, it is ranked 22nd out of 185 countries, a major gain from its position of 38th overall in 2006. This reflects the strong progress being made locally.¹ But this favorable overall performance masks significant variation across some of the different entrepreneurship pillars.

The country's strongest performance is within tax and regulation. There's no doubt that Saudi Arabia provides businesses with an accommodating and streamlined tax regime, which has been a major selling point in recent years. A number of related schemes have been set up to further help support the growth of new small businesses.

Nevertheless, other aspects of the business environment have made it difficult for a vibrant innovation-led small business sector to emerge. Part of this is structural. Saudi Arabia's oil-focused industry has influenced how its economy has evolved. Almost half of GDP is accounted for by oil, which has reduced the impetus to push for high productivity in the non-oil economy.² The Government is now working to diversify away from oil. This will be a gradual process, but in time it should provide the underpinnings for a strengthened culture of entrepreneurship.

Education is one of the key foundations of innovation-led growth, and there are encouraging signs of progress in this area. Saudi Arabia is investing heavily in education, and the creation of a number of science and universities focused on research and development (R&D) in recent years highlights the effort being made in this area. Education now accounts for a significant proportion of all government spending and the Kingdom has invested notably in boosting both workforce skills and universities' research capacity, which will surely bear fruit in the future. A less tangible aspect of this is the need to bolster the culture of entrepreneurship locally, which remains one of the challenges ahead.

¹ "Economy Rankings," *Doing Business website*, doingbusiness.org, accessed 24 June 2013.

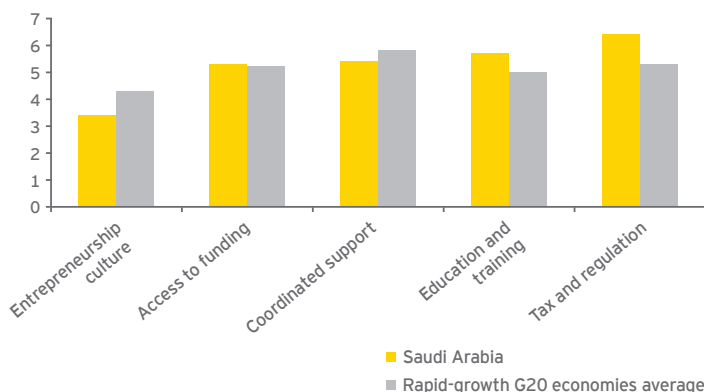
² Middle East and Central Asia Department, *Gulf Cooperation Council Countries: Enhancing Economic Outcomes in an Uncertain Global Economy* (International Monetary Fund, 2011).

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Saudi Arabia's pillar scores compared to rapid-growth G20 economies average



Source: EY G20 Entrepreneurship Barometer 2013

The diversification challenge ahead

At a headline level, the macroeconomic challenge in Saudi Arabia is to pick up momentum toward economic diversification and to build additional engines of growth and jobs alongside the petroleum-dominated business environment.³ A far greater emphasis is being made here, from boosting education to streamlining rules, but there's still a substantial amount of work to do.

³ "Macroeconomic stability key to Kingdom's growth: Al Jasser," *Arab News website*, arabnews.com, accessed 21 June 2013.

⁴ "Saudi Arabia Tax Rates," *Tax Rates website*, taxrates.cc, accessed 15 June 2013.

⁵ K Schwab, *The Global Competitiveness Report 2012-13* (World Economic Forum, 2012).

⁶ "Arab banking and finance: Cultural shift on small businesses needed to ease unemployment," *Financial Times website*, ft.com, accessed 17 June 2013.

⁷ "Tax experts: Investment climate 'highly attractive in Saudi Arabia'," *Arab News website*, arabnews.com, accessed 21 June 2013.

SWOT analysis

Strengths

- ▶ Saudi Arabia's taxation regime is favorable to entrepreneurs: rates are low and the administrative burden is light.⁴
- ▶ The regulatory framework is broadly friendly to business and the process of setting up a business has been streamlined in recent years.
- ▶ According to the World Economic Forum, Saudi Arabia is one of the easiest countries in which to secure venture capital for an innovative project.⁵

Weaknesses

- ▶ The country's low level of bank lending to smaller companies is a drag on entrepreneurship.
- ▶ Abundant oil resources have hindered the development of productivity and innovation in the rest of the economy.
- ▶ A high proportion of businesses are family owned, rather than professional ventures.
- ▶ Unemployment has become a problem – the economy is struggling to generate sufficient jobs for Saudi nationals.⁶

Opportunities

- ▶ Significant investment in research-oriented tertiary education will provide a welcome boost to the country's innovation capacity.
- ▶ There are signs of increasing interest in Saudi Arabia from overseas venture capital firms, which see viable businesses not being supported domestically.⁷
- ▶ The Government is increasing its specific support for entrepreneurial ventures.

Threats

- ▶ Failure to tackle problems in the banking sector would mean entrepreneurs remain highly constrained in their access to loans.
- ▶ The Government may struggle to achieve the kind of culture shift that a diversification into non-oil entrepreneurial activity will require.

Oil accounts for 50% of GDP and 5% of employment in Saudi Arabia

What to watch for

The role of entrepreneurial ventures in the economy's diversification

Saudi Arabia is trying to diversify its economy away from its dependence on oil. Encouraging entrepreneurs to build a more vibrant economy based on entrepreneurial businesses is seen as a crucial part of this process. At present, rather than going into innovative commercial activity, skilled Saudi nationals tend to work in public sectors such as health and education – remarkably, they account for only 10% of private sector employment.

Saudi Arabia ranks at the top of the EY G20 Entrepreneurship Barometer 2013 for its tax and regulatory frameworks. But to boost entrepreneurial activity the Government has been working to overcome deficiencies in the financial system and in the Kingdom's innovation culture. The country is also investing in five so-called "economic cities," such as the King Abdullah Economic City (KAEC), as part of a wider plan to diversify away from oil and encourage foreign investment.⁸

On financing, there has been a significant expansion in the volume of public support that's available, such as a doubling of the capital of the Saudi Industrial Development Fund in 2012.⁹ However, efforts to develop the country's financial infrastructure will be more significant in the medium term.

For example, financial support schemes increasingly incorporate a training element, so that entrepreneurial ventures will be better placed to tap private sources of funding in future. The International Monetary Fund (IMF) has called on the Government to make changes to the banking sector's collateral regime in order to boost lending to entrepreneurial businesses, which is extremely low by international standards.¹⁰

Saudi Arabia is a weak innovator when reviewed on outputs such as patent applications and scientific journal articles. Government efforts to remedy this have centered on the education system. Several major universities have been opened in recent years, including one of the region's largest research universities, King Abdullah University of Science and Technology.¹¹

How the government is helping

Kafalah

Kafalah is a loan guarantee program that aims to improve access to bank lending for smaller businesses, which is currently very limited in Saudi Arabia. The program guarantees up to 80% of eligible loans to new and existing entrepreneurial businesses with total annual revenues no higher than SR30m (US\$8m). The program also organizes seminars, workshops and training courses across the country in an effort to enhance entrepreneurs' business skills and increase awareness of the role of entrepreneurial ventures in economic development.

Launch date: 2006

Most relevant pillars: **access to funding, coordinated support**

Entrepreneurial businesses account for 30% of GDP and 25% of employment in Saudi Arabia

⁸ "Saudi Arabia's drive for economic diversification and employment creation," *King Abdullah Economic City website*, kaec.net, accessed 15 June 2013.

⁹ "Saudi Industrial Development Fund doubles capital to \$11bn," *Reuters website*, reuters.com, accessed 28 June 2013.

¹⁰ International Monetary Fund, *Saudi Arabia: Financial Sector Assessment Program Update—Detailed Assessment of Observance of the Basel Core Principles for Effective Banking Supervision*, IMF Country Report No 13/213 (International Monetary Fund 2013).

¹¹ "King Abdullah to open University of Science and Technology," *Gulf News website*, gulfnews.com, accessed 13 June 2013.

Bab Rizk Jameel

Bab Rizk Jameel (BRJ) is a small business program that helps young entrepreneurs set up small and micro enterprises by providing them with funding and marketing opportunities. BRJ offers interest-free and fee-free financing from SR10,000 (US\$2,660) to a maximum of SR150,000 (US\$39,900). To date it has supported 11,000 projects.

Launch date: 2004

Most relevant pillar: **access to funding**

BADIR-ICT and BADIR-Biotechnology

Established in 2008, BADIR-ICT was Saudi Arabia's first technology incubator. It has capacity for up to 30 business tenants. In late 2011, BADIR-ICT set up a fund with a boutique investment bank to invest in technology firms. In 2009, a second BADIR incubator was set up. BADIR-Biotechnology works with businesses in fields including medicine, environmental sciences and bio-informatics.

Launch date: 2008, 2009

Most relevant pillar: **coordinated support**



Key insight: unlocking Saudi Arabia's entrepreneurial culture

Makarem Sobhi Batterjee, Founder and Chief Executive Officer of Shababco Enterprises, Co-owner and Board Member of Saudi German Hospitals Group, Saudi Arabia

Makarem Sobhi Batterjee is founder and chief executive officer of Shababco Enterprises, which provides services and facilities in the retail, finance, real estate and education sectors. Batterjee is also a board member and co-owner of the Saudi German Hospitals Group, the Gulf's largest private health care developer. He co-founded Batterjee Medical College, one of the largest private universities in the Middle East, as well as the Saudi Entrepreneurship Development Institute, one of the region's first non-profit organisation dedicated to cultivating entrepreneurial values and behaviour.

"The culture in Saudi Arabia is changing with respect to entrepreneurship. Fifteen years ago, Saudis had limited knowledge of entrepreneurship and small business. These terms didn't have any meaning at all. The oil industry, which has been the dominant sector in the economy, had not encouraged an entrepreneurial mindset, nor has the scale and presence of the Saudi Government in the economy helped. But today, there

is a lot of energy and excitement about entrepreneurship in Saudi Arabia, and many Saudis are pursuing entrepreneurial education and various business opportunities.

"And we are seeing big changes in the way the Saudi Government is supporting entrepreneurship and small- and medium-sized entrepreneurs (SMEs). Previously an array of government organizations – the Chamber of Commerce, the Saudi Centennial Fund, the Human Resources Development Fund, in different cities provided support. Now the Government is addressing entrepreneurship in a much more coordinated way through a single organisation that is entirely focussed on entrepreneurs and smaller ventures. The Government is also making great progress in education. The Ministry of Labour just started a great program that brings businessmen into schools to speak with children, which has been very effective."

Access to funding

Pillar ranking: 13

Only **2%**
of total bank loans issued go to entrepreneurial businesses

Gaps still to fill

Access to funding	Saudi Arabia	G20 average	Period
IPO market activity			
IPO amount invested (% of GDP)	0.17	0.22	2009-11 average
Access to credit			
Domestic credit to private sector (% of GDP)	47.1	99.0	2008-10 average
Venture capital availability (Scale of 1=impossible to 7=very easy)	3.9	3.0	2009-11 average
M&A deal value (% of GDP)	0.4	3.4	2010-12 average

Sources: The World Bank, Dealogic, IMF, World Economic Forum

Domestic credit to the private sector at 47.1% of GDP is less than half of the G20 average of 99.0% (2008-10 average)

Despite its vast wealth, Saudi Arabia’s entrepreneurs still struggle to access sufficient funding for their ventures. In its efforts to diversify the economy and to boost the private sector, the Government has hoped to loosen the supply of finance to entrepreneurial ventures. But this is not yet happening in the banking sector, with entrepreneurial businesses receiving just 2% of total bank loans issued.¹²

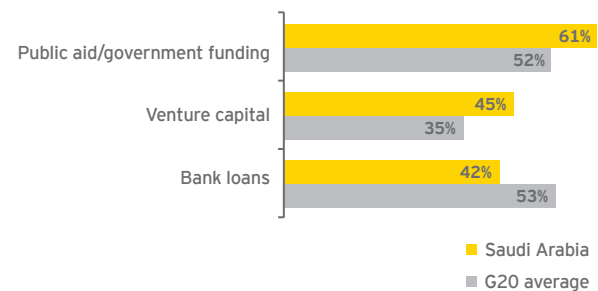
Venture capital appears to be filling some of this gap. According to The World Economic Forum, Saudi Arabia is second only to the US when it comes to the ease of securing venture capital funding for risky but innovative projects. However, there is a clear gap between the seed stage and expansion stage of a business, explains Innovative Business Solutions’ Osama Natto. “We have a program that supports micro businesses through microfinance or grants and loans, up to US\$50,000, and then we have bank financing starting at about US\$4m, but a gap between these two points. Many entrepreneurs fall into this gap.”

The position is very different in relation to merger and acquisition activity. The total value of deals averaged 0.4% of GDP between 2010 and 2012. That is almost one ninth of the G20 average, highlighting clear scope for growth in funding sources such as private equity. In the EY G20 Entrepreneurship Barometer 2013 survey, 31% of entrepreneurs in Saudi Arabia said that access to related funding sources, such as private equity, had improved over the past three years. However, there is clearly a long way to go,

not least due to the fact that much of the equity is being supplied by wealthy families that are often fundamentally risk averse. Similarly, angel investors remain scarce today, although 42% of local entrepreneurs reported improvements in access to such angel funding over the past three years.

Some progress is being made on all this, such as a government scheme to guarantee 50% of certain bank loans, and a corporate venture capital fund backed by Aramco, a state oil company. However, more needs to be done to reduce the bureaucracy, paperwork and time needed to qualify for such programs.

Entrepreneurs view on the top three access to funding instruments aiding entrepreneurship compared to the G20 average



Source: EY G20 Entrepreneurship Barometer 2013

¹² “GCC bank lending to SMEs just 2% of total loans,” Arabian Business website, arabianbusiness.com, accessed 3 July 2013.

Entrepreneurship culture

Pillar ranking: 20

Only **19%** of entrepreneurs surveyed in Saudi Arabia believe that a business failure would be perceived culturally as a career failure

Challenges ahead in shifting perceptions in a risk-averse culture

Entrepreneurship culture	Saudi Arabia	G20 average	Period
R&D spending (% of GDP)	0.1	1.6	2007-09 average
Scientific and technical journal articles (per 10,000 people)	0.2	3.3	2007-09 average
Cost of resolving insolvency (% of estate)	22.0	11.8	2010-12 average

Source: The World Bank

Fostering an entrepreneurship culture is one of the primary challenges ahead for Saudi Arabia, as part of wider efforts to diversify the economy away from its reliance on oil. In this survey, entrepreneurs from the country pointed to increased media exposure and improved attitudes toward entrepreneurship as a driver of employment as factors that are positively increasing entrepreneurship locally. However, other important attitudes are weaker, especially in terms of attitudes toward risk and fear of failure. This is reflected in local rules too, such as the high financial costs of business failure: insolvency costs are joint highest in the G20. Furthermore, the majority of local businesses are family owned, as opposed to professional ventures focused on growth.

Osama Natto, the founder of Innovative Business Solutions, a Saudi Arabian group of companies focused on e-commerce, smart buildings, program management and financial services, explains that this risk aversion is a tough challenge to overcome in local culture. "People are very cautious about investing in new ideas," he says. This is true both of investors seeking to back a project, as well as cultural acceptance of entrepreneurial ventures. "Today everyone is working under the radar and we don't have any role models to look up to."

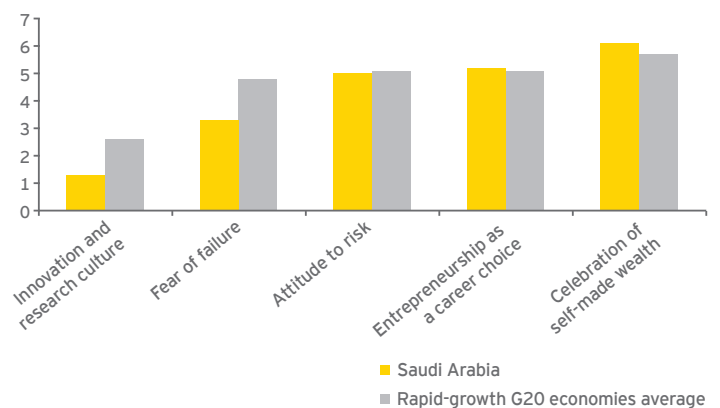
This is especially true for female entrepreneurs. The role of women in Saudi society is also a clear brake on the country's entrepreneurial potential. The IMF estimates the female employment rate at 9%, well below other countries in the G20.¹³ Efforts are being made to shift perceptions on all these fronts. A philanthropic fund was set up in 2007 to provide aspiring women entrepreneurs with technical and financial support for both

new and existing businesses.¹⁴ More generally, the 2010 Young Entrepreneur Awards, set up by Prince Salman bin Abdulaziz, recognizes eight categories of businesses, while the Saudi Fast Growth 100 promotes fast-growing companies and the Tech Group 100 highlights new high-tech companies.¹⁵

Saudi Arabia spends relatively little on R&D as a proportion of GDP, and innovation is poorly embedded locally. For example, just 0.7% of manufacturing exports in 2010 were of high-technology goods. However, efforts to invest in R&D-led universities should help to bolster this over the longer term.

The cost of resolving insolvency as a percentage of estate is 22%. This is almost double the G20 average of 11.8% and one of the highest in the G20 (2010-12 average)

Barometer scores for entrepreneurship culture components



Source: EY G20 Entrepreneurship Barometer 2013

¹³ International Monetary Fund, "Saudi Arabia: Selected Issues" IMF Country Report 12/272 (International Monetary Fund, 2012).

¹⁴ "Growing Aspirations: Supporting Women's Entrepreneurship in Saudi Arabia and the Gulf," Dubai School of Government website, ds.g.ae/en, accessed 29 June 2013.

¹⁵ P Kesting, "Incubating the Future," US-Arab Tradeline Volume XVIII, No. 1 (National US-Arab Chamber of Commerce, 2010).

Saudi Arabia's entrepreneurs spend an average of only 77 hours per year on tax issues – the lowest in the G20 and far below the G20 average of 347 hours (2010-12 average)

Tax and regulation

Pillar ranking: 1

Saudi Arabia's strongest pillar of support for entrepreneurs

Tax and regulation	Saudi Arabia	G20 average	Period
Ease of starting a business			
Start-up procedures (number)	9.0	7.6	2010-12 average
Time to start a business (days)	21	22	2010-12 average
Cost to start a business (% of income per capita)	6.2	9.4	2010-12 average
Paid-in minimum capital to start a business (% of income per capita)	0.0	17.9	2010-12 average
Business regulations			
Time spent on tax issues (hours)	77	347	2010-12 average
Labor market rigidity			
Cost of firing (weeks of wages)	17	50	2007-09 average
Labor and tax contributions (% of commercial profits)	12.4	24.0	2012
Taxation			
Total tax rate (taxes and mandatory contributions borne by the business expressed as a share of commercial profit)	14.5	49.7	2012
Indirect tax rate (taxes collected by the company and remitted to the tax authorities)	0.0	14.2	2012

Source: The World Bank

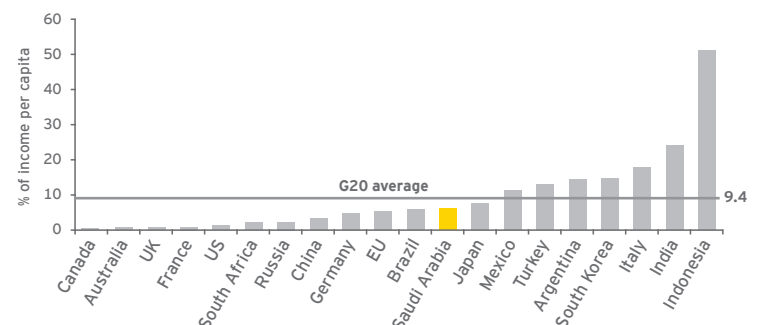
Tax and regulation is by far Saudi Arabia's strongest entrepreneurship pillar. In fact, the Barometer indicates Saudi Arabia has the strongest tax and regulatory framework across all the G20 countries. Its performance reflects its exceptionally business-friendly tax regime. According to The World Bank, total business taxes in the country amount to just 14.5% of profits, less than a third of the rates in most G20 countries.¹⁶

The tax system also imposes a particularly light administrative burden on entrepreneurs. There are only three payments to be made each year, whereas double figures are common elsewhere. Similarly, the average time spent by businesses on their tax affairs amounts to just 77 hours which is the lowest across the G20 (2010-12 average)

Furthermore, the process of setting up a business has eased over the past decade. It now takes only 21 days, compared with 74 days in 2003. In addition, the cost of setting up a business is around a third less than the G20 average (2010-12 average). In terms of employment regulations, labor taxes are low and the cost of laying off workers are among the lowest in the G20.

All of these are encouraging signs of the progress that can be made once a government has set its sights on improving the overall entrepreneurial environment. Nevertheless, progress improvements can still be made, not least on secondary indicators, such as the bureaucracy required in accessing government schemes or in securing bank financing.

Cost of starting a business (% of income per capita)



Source: The World Bank, 2010-12 average

¹⁶ "Total tax rate (% of commercial profits)," World Bank website, data.worldbank.org, accessed 12 June 2013.

83%

of local entrepreneurs surveyed believe that students need access to specific training to become entrepreneurs

Education and training

Pillar ranking: 12

Greater emphasis on education, but entrepreneurial training could still be improved

Education and training	Saudi Arabia	G20 average	Period
Public spending on education (% of GDP)	5.6	4.8	2008-10 average
Secondary school enrollment (total enrollment expressed as a percentage of the population of official secondary education age)	97.3	95.0	2008-10 average
Tertiary enrollment (total enrollment expressed as a percentage of the total population of the five-year age group following on from secondary school leaving)	32.8	53.5	2008-10 average

Source: The World Bank

As a proportion of GDP, Saudi Arabia's public spending on education is in line with the average across the G20's rapid-growth countries. As a proportion of total government spending, however, it is one of the world's highest. This investment has yielded greater results at the secondary level than the tertiary level, thus far, but point the way to how the country is starting to develop and change. For entrepreneurs, this is helping to ensure both a stronger supply of skills for new ventures, while also bolstering innovation-related activity.¹⁷

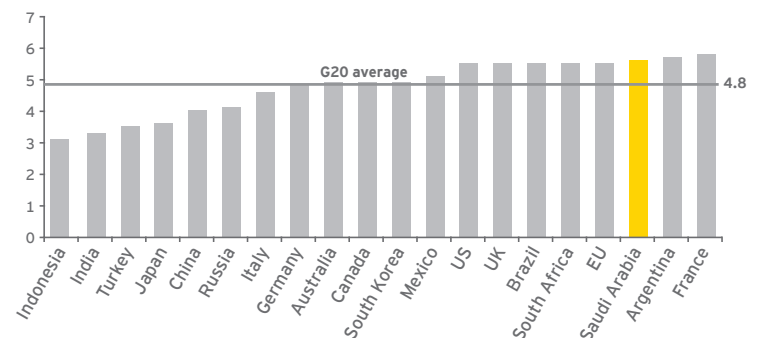
Several major universities have been opened in recent years, with a particular focus on science and research, as part of wider efforts to bolster R&D within the Kingdom. In addition, the Government has significantly expanded scholarship programs to fund students' overseas study. According to the IMF, the number of students

studying abroad on scholarships is now around 120,000, up from a few thousand a few years ago. Many of the scholarships have a scientific focus, and are in disciplines such as medicine, computer science and physics.¹⁸ However, according to the Minister of Higher Education, in an article (per Aleqtisadia) published on 16 April 2013, the actual number could be as high as 148,000.

All this will bear fruit over the long term, but more could be done on smaller, entrepreneurial initiatives, where clear gaps remain. In the survey, entrepreneurs from Saudi Arabia were more negative than their peers in other countries about trends in entrepreneurial education, both through formal channels (such as schools and universities) and informal channels (such as networks and mentoring schemes). It would be relatively easy to start establishing stronger channels in these areas.

40% of entrepreneurs surveyed from Saudi Arabia indicate that government programs supporting entrepreneurship would most improve students' perception of entrepreneurship in their country

Public spending on education (% of GDP)



Source: The World Bank, 2008-10 average

¹⁷ "Saudi investment in education tripled in just a decade, focuses on enhancing human capital," *Saudi Gazette website*, saudigazette.com/sa, accessed 1 July 2013

¹⁸ Ibid.

Coordinated support

Pillar ranking: 12

Growing support, but limited coordination

One of the core areas where Saudi Arabia shows strong potential for improvement is in the coordinated support pillar of the EY G20 Entrepreneurship Barometer 2013. This reflects local entrepreneurs' views about trends on three constituent elements – networks, mentoring and incubators. Saudi Arabia scores below the rapid-growth countries average, highlighting the need for a stronger emphasis and backing in this area.

Nevertheless, 43% of entrepreneurs said that access to business incubators had improved over the last three years. Improvements were also noted for industry-specific training programs, entrepreneur clubs and associations, and small business associations. Indeed, as Innovative Business Solutions' Osama Natto highlights, there has been impressive investment into a range of incubators and business accelerators in recent years. He also claims that clear improvements could be made in how these are run and financed, to ensure maximum impact. "You do see a lot of double efforts, because programs are not coordinated, which could save a lot of time and reduce costs, while increasing the number of successful entrepreneurial stories," says Natto.

Given that the Government sees developing the entrepreneurial business sector as an important part of its efforts both to diversify away from oil and to boost employment, it would do well to encourage the development of a better support infrastructure for entrepreneurs. This is especially important given that local entrepreneurs clearly still look to the Government for support, highlighting start-up programs, including grants, as initiatives that would be most effective in Saudi Arabia.

43%

of entrepreneurs in Saudi Arabia said access to entrepreneur clubs has improved in the past three years compared to the G20 average of 53%

27% of entrepreneurs surveyed from Saudi Arabia rank government start-up or other programs including grants as the form of government tailored support that is most effective

Rankings table

Ranking	Access to funding	Score	Entrepreneurship culture	Score	Tax and regulation	Score	Education and training	Score	Coordinated support	Score
1	United States	7.12	United States	7.67	Saudi Arabia	6.40	France	6.58	Russia	6.23
2	United Kingdom	6.86	South Korea	7.53	Canada	6.34	Australia	6.53	Mexico	5.89
3	China	6.75	Canada	7.45	South Korea	6.34	United States	6.50	Brazil	5.87
4	Canada	6.62	Japan	7.28	United Kingdom	6.19	South Korea	6.40	Indonesia	5.84
5	Australia	6.48	Australia	7.18	South Africa	6.10	EU	6.25	India	5.76
6	South Africa	5.95	United Kingdom	7.00	Japan	6.07	United Kingdom	5.98	China	5.75
7	Japan	5.81	Germany	6.88	Germany	5.84	Germany	5.89	Turkey	5.66
8	South Korea	5.75	EU	6.07	Australia	5.75	Argentina	5.85	South Africa	5.65
9	Brazil	5.67	France	5.68	Russia	5.65	Canada	5.81	Argentina	5.64
10	Indonesia	5.53	Russia	5.05	EU	5.48	Brazil	5.78	Germany	5.53
11	India	5.48	India	4.95	Turkey	5.45	South Africa	5.67	France	5.41
12	EU	5.41	Brazil	4.88	Indonesia	5.38	Saudi Arabia	5.66	Saudi Arabia	5.39
13	Saudi Arabia	5.25	Italy	4.67	United States	5.33	Italy	5.47	EU	5.37
14	Germany	5.23	South Africa	4.33	Mexico	5.21	Russia	5.46	South Korea	5.36
15	Russia	5.04	Turkey	4.30	France	5.12	Mexico	5.32	Australia	5.31
16	France	4.74	Argentina	4.06	China	5.07	Japan	4.72	Canada	5.29
17	Turkey	4.57	Mexico	3.96	Brazil	4.83	Turkey	4.39	United Kingdom	5.19
18	Mexico	4.42	China	3.88	Italy	4.76	China	4.35	Japan	5.04
19	Italy	4.03	Indonesia	3.80	India	4.39	Indonesia	3.88	Italy	4.97
20	Argentina	3.27	Saudi Arabia	3.38	Argentina	4.31	India	3.49	United States	4.85

About the EY Entrepreneurship Barometer model

The EY G20 Entrepreneurship Barometer 2013 introduces a model for scoring countries across the five pillars of entrepreneurship.¹⁹ The purpose of this model is to help identify areas of relative strength by country and where opportunities for improvement lie.

The model is composed of qualitative information (from our survey of more than 1,500 entrepreneurs) and quantitative data based upon entrepreneurial conditions across the G20 economies. For each pillar, excluding coordinated support, this information is

weighted 50-50 between qualitative and quantitative inputs. For coordinated support, given a lack of quantitative indicators, this is based solely upon the survey responses.

The advantage of integrating both the survey results and quantitative data is the ability to provide an assessment of the current level and the trends in a G20 entrepreneurial ecosystem based upon local sentiment. To this end, official statistics (for example, on the average time taken to start a business or the tax burden) provide a baseline for each member country.

Survey information is an important complement to the baseline picture these statistics provide. Entrepreneurs' feedback on the pace of improvement or deterioration in conditions in their country's entrepreneurship ecosystem is incorporated in the model alongside the hard statistics.

Full details of the Barometer's methodology can be found on page 66 in the main EY G20 Entrepreneurship Barometer 2013 report.

¹⁹ Note: As per the G20 membership, this list comprises 19 individual countries and also the European Union (EU), as an additional member. Our rankings show the performance of each country, along with an aggregate performance for the 27 EU Member States.

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