



FOR IMMEDIATE RELEASE  
July 13, 2022

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## **DII Global Quarterly Review Executive Summary -- Q1 2022**

### **DII Global Q1 2022 Key Takeaways**

- 1. Crypto is an incredible opportunity for smaller economies.*  
The top ten nations on the DII Global's Crypto Friendliness sub-index include Switzerland, Malta, Belarus, Singapore, Malaysia and Germany.
- 2. Economic freedom remains fertile soil for innovation and entrepreneurship.*  
The United States, Singapore, Switzerland, the United Kingdom and Canada hold the top five ranks on the DII Global's overall rankings; countries with more restrictive governments rank much lower on the list. Fundamental individual rights such as the freedom of speech have been found to correlate strongly with innovation, entrepreneurship, and economic growth.
- 3. Cryptocurrency has seen uneven adoption across the world.*  
While bitcoin was first made legal tender in El Salvador and the Central African Republic, and the Swiss canton of Zug has earned an international reputation as "crypto valley," many nations have dragged their feet on cryptocurrency, including most of the largest economies. On the other hand, some nations have completely banned cryptocurrency, such as Algeria, Bangladesh, China, and Egypt.
- 4. Global competition is fiercer than ever before.*  
The pandemic only accelerated the shift from physical to digital, a trend that continues to sever old bonds between employees and physical office spaces, shoppers and brick-and-mortar retail spaces, and consumers and entertainment venues such as movie theaters. As the world becomes more digitized, countries and municipalities will face global competition for employees, employers, entrepreneurs, and investment.
- 5. Investors and entrepreneurs have more – and more difficult – choices than ever before, but also more opportunities*  
Remote work and similar trends have in many cases ended various previous physical limitations on how and where work can be done, opening the world up to investors and entrepreneurs. Technological change has also created a much more complicated policy and regulatory environment, with the development and adoption of bitcoin, blockchain and other next generation technologies often outpacing governments' ability to adapt. However, geographic location remains key in terms of access to capital, innovation and entrepreneurial environment, workforce talent, and governance quality, The DII Global gives current and future entrepreneurs, investors, and business leaders the necessary information to make these tough decisions about where and if to relocate.



## **Draper Innovation Index Global Quarterly Review Executive Summary – Q1 2022**

### **Russia Plummet; Moldova, Belarus, and Myanmar See Considerable Declines as Hong Kong Drops out of the DII Top Ten**

*Among Larger Countries, Turkey, Brazil, South Africa, and Mexico See Largest Gains*

**San Mateo, California, July 13, 2022** – The Draper Hero Institute (DHI) announces its inaugural Draper Innovation Index Global (DII - Global) Q1 2022 Quarterly Review Executive Summary, which evaluates each nation’s ability to develop, support, and retain entrepreneurs and innovators. The Q1 2022 quarterly review builds upon the DII Global monthly updates, reflecting a volatile global economy in the midst of an ongoing significant armed conflict, inflation pressures, and the lingering aftermath of the omicron variant COVID-19 surge and ensuing renewed mask mandates, canceled events and other consequences.

“Entrepreneurs are able to be more nomadic, and will headquarter in the countries with the lightest touch in their industries. We expect to see more and more entrepreneurs moving to the places where they are welcome. Regulators beware. Regulations kill innovation. Freedom and trust attract the best and the brightest to build the industries of the future,” said Tim Draper, founder of the Draper Hero Institute.

Despite inflation, labor shortages and continued disruptions to hospitality, tourism and related industries, the global economy does show positive signs, especially for entrepreneurs. The United States, for instance, saw a record number of startups valued at over \$1 billion, according to Pitchbook; 2021 saw three times as much unicorn investment as 2020 and more unicorn companies than in the previous five years combined. Europe’s venture capital market also saw record levels of investment in 2021, with Latin America seeing more than \$14.8 billion in venture capital investment, more than \$10 billion more than in 2020.

“The current global economic situation, beset by war, inflation, and significant economic and investment volatility has added to a bumpy, frequently starting and stopping global recovery from COVID-19 that creates significant challenges – but also massive opportunities – for economies of all sizes, especially regarding entrepreneurship and innovation” said Dr. Wallace Walrod, DHI’s Chief Economic Advisor. “Cryptocurrency policy in particular is quickly becoming a key strategy for countries to differentiate themselves and attract new businesses, entrepreneurs and investors, along with governance quality and effective policy response to inflation pressures.”

The DII-Global now includes the inclusion of the U.S. State Department's Travel Advisory, which penalizes any country with a “Do Not Travel” advisory, in order to reflect current geopolitical conflicts. Due to this inclusion, **Moldova** dropped by 56 places, followed by **Belarus** (-50), **Myanmar** (-30), **Tonga** (-30), **Hong Kong** (-26) and **Russia** (-26). Russia’s smaller relative drop in the DII Global compared to Moldova or Belarus is largely due to significant monetary policies being put into effect which helped reverse the drop in the ruble experienced in the early parts of the war in Ukraine, but also due to Russia’s already being so low in the rankings – 180<sup>th</sup> in the DII Global balanced scenario and 194<sup>th</sup> in government quality, out of the 228 countries tracked.



The inclusion of this enhanced data also caused **Hong Kong** to fall from 3<sup>rd</sup> to entirely out of the top 10, which allowed nearly all other top 10 countries to improve their ranking except for **Iceland**, which was overtaken by **Sweden** and fell to 7<sup>th</sup> place. **Canada** saw considerable improvements, jumping by 3 ranks from 8<sup>th</sup> to 5<sup>th</sup>, while **Switzerland**, the **United Kingdom**, **Sweden**, **Poland**, **Germany**, and **Denmark** improved by 1 rank.

January 2022 Top Ten		May 2022 Top Ten		Change
United States	1	United States	1	-
Singapore	2	Singapore	2	-
Hong Kong, China (SAR)	3	Switzerland	3	↑
Switzerland	4	United Kingdom	4	↑
United Kingdom	5	Canada	5	↑
Iceland	6	Sweden	6	↑
Sweden	7	Iceland	7	↓
Canada	8	Poland	8	↑
Poland	9	Germany	9	↑
Germany	10	Denmark	10	↑

The **United States** also finished first in the Government Quality and Emerging opportunity scenarios. While **China** remained steady at 15<sup>th</sup> in the Balanced Scenario, it fell in the Government Quality scenario to rank 56<sup>th</sup>. **Hong Kong**, which currently has a “Do Not Travel” advisory, fell out of the Top 10 across all scenarios, from 3<sup>rd</sup> in the Balanced ranking to 29<sup>th</sup>, from 7<sup>th</sup> in Emerging Innovation to 22<sup>nd</sup>, and from 8<sup>th</sup> in Government Quality to 34<sup>th</sup>.

**Turkey** saw the biggest improvement in the Balanced Scenario, rising by 16 ranks as it out-performed peer-ranked countries such as **Sri Lanka**, **Moldova**, and the **Philippines**; this was supported largely by improvements in its S&P Global Equity Index. **Brazil** (+9) and **Eswatini** (+9) had the second largest improvements in the DII-Global thanks to their currencies’ performance in the current high-inflation environment.

“The addition of the US State Department’s Travel Advisory allows the DII-Global to better reflect some major truths about innovation and entrepreneurship,” said Dr. Wallace Walrod, DII’s Chief Economic Advisor. “When it comes to economic growth, there is simply no substitute for political stability. People in a warzone conflict or under the rule of an oppressive regime lack access to the economic opportunities many of us take for granted. As I’ve said before, a commitment to democracy and individual freedoms are simply good for business.”

**Turkey** saw the largest increase in the Emerging Opportunities scenario rising by 23 ranks, followed by **Brazil**(+15), and **South Africa** (+10). In the Government Quality scenario ranking, **Brazil** has improved by 10 ranks, with **both Namibia** (+9) and **South Africa** (+9) close behind. Turkey’s improvements can be attributed to significant fluctuations in its currency values relative to bitcoin while **Brazil’s** S&P Global Equity Index served to help buoy the country’s ranking.



The DII Global will continue monthly updates throughout 2022 to continually reflect the latest developments in global innovation and entrepreneurship.

**About Draper Hero Institute**

Founded by legendary Silicon Valley venture capitalist and entrepreneur Timothy C. Draper, Draper Hero Institute (DHI) provides applicable and modern resources for future entrepreneurs globally and ensures inclusiveness and opportunities for all. As an action-based research institution, DHI focuses its efforts on non-traditional pathways to guide future entrepreneurs in the new economy. Through programs that ignite innovative research; united through connectivity and networking; and mentoring efforts through applied education, DHI provides a portal for creative thinking and ultimately driving change to better prepare future entrepreneurs to take on heroic endeavors.

<https://www.draperhero.org/>

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## **DII GLOBAL METHODOLOGY**

### **Data Sources and Metric Definitions**

A more complete listing and description of DII Global's data inputs is available on the DHI/DII website, along with weightings for each factor in the 3 DII Global scenarios.

### ***Regulatory Rank***

#### **1) Economic Freedom Index (The Heritage Foundation)**

The Index of Economic Freedom focuses on four key aspects of the economic and entrepreneurial environment over which governments typically exercise policy control including: Rule of Law, Government Size, Regulatory Efficiency, and Market Openness.

#### **2) Regulatory Quality – Global Economy, Score (The World Bank)**

Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e., ranging from approximately -2.5 to 2.5.

#### **3) Ease of Doing Business, Rank (The World Bank)**

The ease of doing business score is the simple average of the scores for each of the Doing Business topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

#### **4) Time Required to Start a Business (The World Bank)**

Time required to start a business is the number of calendar days needed to complete the procedures to legally operate a business. If a procedure can be speeded up at additional cost, the fastest procedure, independent of cost, is chosen.

**Note) Regulatory Indicators to be Replaced**



In an effort to continually update and refine the DII-Global algorithm, other economic, social, regulatory, and innovation indicators are constantly researched and assessed to determine the additional insight and benefit they may provide. Additionally, existing metrics and indicators covered in the DII-Global are also continually assessed to ensure accuracy and relevance to the mission and goals of the DII. As a result of this research, two indicators in the DII-Global are likely to be replaced. The Ease of Doing Business indicator and Time Required to Start A Business, both from The World Bank, will likely be replaced due to the discontinuance of both after data irregularities and data manipulation.

#### *Innovation Environment Rank*

1) Global Entrepreneurship and Development Index (GEDI-The Global Entrepreneurship and Development Institute)

The GEDI methodology collects data on the entrepreneurial attitudes, abilities and aspirations of the local population and then weights these against the prevailing social and economic 'infrastructure' – this includes aspects such as broadband connectivity and the transport links to external markets.

2) Venture Capital Average (Pitchbook)

Measures average annual growth in venture capital by country.

3) Pitchbook # of Startups, 2015-2019 (Pitchbook)

Measures the total number of startups created.

#### *Government Quality Rank*

1) Corruption Perception Index (Transparency International)

The CPI scores and ranks countries/territories based on how corrupt a country's public sector is perceived to be by experts and business executives. It is a composite index, a combination of 13 surveys and assessments of corruption, collected by a variety of reputable institutions. The CPI is the most widely used indicator of corruption worldwide.

2) Countries with Dictators (World Population Review)

Highlights and lists countries currently under the rule of a dictator – a type of government in which a single person or party has absolute power or complete control and the rights of the people are suppressed.



### ***Social Rank***

#### **1) Human Development Index (United Nations Development Programme):**

The HDI was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living.

### ***Tax Environment Rank***

#### **1) Corporate Tax Rates (Tax Foundation)**

Tax rates were researched only for jurisdictions that are among the around 250 sovereign states and dependent territories that have been assigned a country code by the International Organization for Standardization (ISO).

### ***Venture Capital Momentum Rank***

#### **1) Ventura Capital Momentum Rank (Pitchbook)**

Measures the average annual venture capital funding

### ***Economic Rank***

#### **1) Most New Businesses Per Capita (NationMaster)**

Measures the number of new businesses, defined as firms registered in the current year of reporting. Per capita figures expressed per 1,000 population.

#### **2) Capital Flows (Trading Economics)**

Measures the movement of money for the purpose of investment, trade, or business operations. Inside of a firm, these include the flow of funds in the form of

investment capital, capital spending on operations, and research and development. Data are in current U.S. dollars.

#### **3) Stock Exchange in Country (World Federation of Exchanges)**

Identifies the presence of a stock market exchange in the studied area or region.



#### **4) Number of Listed Companies (TheGlobalEconomy.com)**

Listed domestic companies, including foreign companies which are exclusively listed, are those which have shares listed on an exchange at the end of the year. Investment funds, unit trusts, and companies whose only business goal is to hold shares of other listed companies, such as holding companies and investment companies, regardless of their legal status, are excluded. Only companies admitted to listing on the exchange are included.

#### **5) FDI Inbound % GDP (The World Bank)**

Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. Data are in current U.S. dollars.

### ***Crypto Friendliness Rank***

#### **1) Bitcoin Legality (SAGipl)**

Highlights and includes a list of countries where cryptocurrencies are currently legal. Cryptocurrencies include Ethereum (ETH), Litecoin (TCC), Dash, Ripple, and, of course, Bitcoin. Governments are uneasy about allowing cryptocurrencies as they are unable to regulate it.

#### **2) Crypto Friendly Ranking (Liquid, Nomad Capitalist)**

Highlights and includes countries which promote or have attempted to attract cryptocurrency investments and transactions.

#### **3) Crypto Untaxed (Forbes)**

Highlights and includes countries where cryptocurrencies remain untaxed, areas which may attract significant interest from cryptocurrencies users as they do not have to pay taxes on cryptocurrency investment gains.