

Appendix II

Joint Research Centre (JRC) statistical audit of the 2021 Global Innovation Index

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Conceptual and practical challenges are inevitable when trying to understand and model the fundamentals of innovation at the national level worldwide. Now in its 14th edition, the Global Innovation Index (GII) 2021 takes up these conceptual challenges and also deals with the practical challenges relating to data quality and methodological choices.

This appendix summarises the comprehensive audit of the GI, conducted for the eleventh consecutive year by the European Commission's Competence Centre on Composite Indicators and Scoreboards (COIN) at the Joint Research Centre (JRC) in Ispra.

As in previous editions, the present JRC-COIN audit focuses on the statistical soundness of the multi-level structure of the index as well as on the impact of key modeling assumptions on the results. The independent statistical assessment of the GI provided by the JRC-COIN guarantees the transparency and reliability of the index for both policymakers and other stakeholders, thus facilitating more accurate priority setting and policy formulation in the innovation field.

As in past GI reports, the JRC-COIN analysis complements the economy rankings with confidence intervals for the GI, the Innovation Input Sub-Index and the Innovation Output Sub-Index, in order to better appreciate the robustness of these rankings to the computation methodology. Finally, the JRC-COIN analysis includes an assessment of the added value of the GI and a measure of "distance to the efficiency frontier" of innovation by using data envelopment analysis. This is a shortened version of the audit, the full audit is available at https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2021-appendix1.pdf.

Main conclusions

The JRC-COIN analysis suggests that the conceptualized multilevel structure of the GI 2021 – with its 81 indicators, 21 sub-pillars, 7 pillars and 2 sub-indices comprising the overall index – is statistically sound and balanced: that is, each sub-pillar makes a similar contribution to the variation of its respective pillar. The refinements made by the developing team have helped to enhance the already strong statistical coherence in the GI framework, in which the capacity of the 81 (but two) indicators to distinguish economies' performance is maintained at the sub-pillar level or higher in all but two cases.

The decision not to impute missing values, which is common in comparable contexts and justified on the grounds of transparency and replicability, can at times have an undesirable impact on some economy scores, with the additional negative side-effect that it might encourage economies not to report low data values. The GI team's adoption, in 2016, of a more stringent data coverage threshold (at least 66 percent data availability for each of the input- and output-related indicators, separately) has notably improved confidence in the economy rankings for the GI and the two sub-indices.

Additionally, the GI team's decision, in 2012, to use weights as scaling coefficients during the index development constitutes a significant departure from the traditional, yet erroneous, vision of weights as a reflection of indicators' importance in a weighted average. It is hoped that such an approach will be adopted by other developers of composite indicators to avoid situations where bias sneaks in when least expected.

The strong correlations between the GI components are proven not to be a sign of redundancy of information in the GI. For more than 43 percent (up to 65 percent) of the 132 economies included in the GI 2021, the GI ranking and the rankings of any of the 7 pillars differ by 10 positions or more. This demonstrates the added value of the GI ranking, which helps to highlight other components of innovation that are not immediately apparent from an analysis of the seven pillars separately. At the same time, this finding points to the value of duly considering the merits of the GI pillars, sub-pillars and their constituent indicators individually. By doing so, economy-specific strengths and bottlenecks in innovation can be identified and serve as an input for evidence-based policymaking.

To test the impact of the GI modeling assumptions, a number of different models were tested in this audit based on different approaches to imputing of missing data, aggregation at the pillar level and assignment of weights. Using these models, the 90 percent confidence intervals relating to the ranking positions that an economy might have had under different model assumptions were computed. For the vast majority of economies these intervals are sufficiently narrow to allow meaningful inferences to be drawn: the intervals comprise fewer than 10 positions for 80 percent (106 out of 132) of the economies. Some caution is needed when considering two economies – Brunei Darussalam and the United Republic of Tanzania – which have GI rankings that are highly sensitive to the methodological choices. Consequently, their GI ranks – between the 82nd (Brunei Darussalam) and 90th position (United Republic of Tanzania) in the GI classification – should be interpreted cautiously and certainly not taken at face value. This is a remarkable improvement compared to GI versions up to 2016, when more than 40 economies had confidence interval widths of more than 20 positions. The improvement in the confidence that can be placed in the GI 2021 rankings is the direct result of the decision to

adopt a more stringent criterion for an economy's inclusion since 2016, which now requires at least 66 percent data availability within each of the two sub-indices. Some caution is also warranted in regard to the Input Sub-Index for seven economies – Algeria, Belarus, Botswana, Brunei Darussalam, Cabo Verde, Mauritius and the Plurinational State of Bolivia – that have 90 percent confidence interval widths of more than 20 positions (up to 31 for Botswana). A similar degree of caution is also needed in the Output Sub-Index for four economies – Brunei Darussalam, Malawi, Togo and the United Republic of Tanzania – that have 90 percent confidence interval widths of more than 20 positions (up to 40 for Tanzania). Compared to the GII 2019, the higher data availability in the Output Sub-Index this year has led to a much lower number of economies with very wide intervals (4 compared to 13 in the GII 2019 edition), which is a noteworthy improvement.

Although ranks for a few economies, in the GII 2021 overall or in the two sub-indices, appear to be sensitive to the methodological choices, the published rankings for the vast majority can be considered to be representative of the plurality of scenarios simulated in this audit. Taking the median rank as the benchmark for an economy's expected rank in the realm of the GII's unavoidable methodological uncertainties, 75 percent of the economies are found to shift fewer than three positions with respect to the median rank in the GII, or in the Input and Output Sub-Indices.

In order to offer full transparency and complete information, Annex Table 2 reports the GII 2021 Index and Input and Output Sub-Indices' economy ranks together with the simulated 90 percent confidence intervals to allow a better appreciation of the robustness of the results to the choice of weights and aggregation formula and the impact of estimating missing data (where applicable).

All things considered, the present JRC-COIN audit findings confirm that the GII 2021 meets international quality standards for statistical soundness, which indicates that the GII is a reliable benchmarking tool for innovation practices at the economy level around the world.

Finally, the “distance to the efficiency frontier” measure calculated using data envelopment analysis can be used both as a measure of efficiency and as a suitable approach to benchmarking economies' multidimensional performance on innovation without imposing a fixed and common set of weights that may not be fair to a particular economy. The decision made by the GII team to abandon the efficiency ratio (ratio of Output to Input Sub-Index) is particularly laudable. In fact, ratios of composite indicators (Output to Input Sub-Index in this case) come with much higher uncertainty than the sum of the components (Input plus Output Sub-Index, equivalent to the GII). For this reason, developers and users of indices alike need to approach efficiency ratios of this nature with

great care. The GII should not represent the ultimate and definitive ranking of economies with respect to innovation. On the contrary, the GII best represents an ongoing attempt to find metrics and approaches that capture the richness of innovation more effectively, continuously adapting the GII framework to reflect the improved availability of statistics and the theoretical advances in the field. In any case, the GII should be regarded as a sound attempt, based on the principle of transparency, matured over 14 years of constant refinements, to pave the way for better and more informed innovation policies worldwide.

Annex Table 2

GII 2021 and Input/Output Sub-Indices: Ranks and 90 percent confidence intervals

	GII 2021		Input Sub-Index		Output Sub-Index	
	Rank	Interval	Rank	Interval	Rank	Interval
Switzerland	1	[1, 1]	4	[2, 4]	1	[1, 1]
Sweden	2	[2, 2]	2	[1, 4]	2	[2, 3]
United States	3	[3, 4]	3	[2, 5]	4	[3, 8]
United Kingdom	4	[4, 7]	7	[6, 9]	6	[4, 8]
Republic of Korea	5	[3, 5]	9	[7, 12]	5	[4, 5]
Netherlands	6	[6, 8]	12	[8, 14]	3	[3, 7]
Finland	7	[5, 8]	6	[4, 9]	9	[9, 10]
Singapore	8	[6, 10]	1	[1, 3]	13	[12, 14]
Denmark	9	[9, 10]	5	[5, 7]	11	[11, 11]
Germany	10	[7, 10]	14	[11, 15]	8	[5, 8]
France	11	[11, 13]	17	[16, 18]	10	[9, 10]
China	12	[11, 14]	25	[21, 26]	7	[2, 7]
Japan	13	[12, 14]	11	[9, 13]	14	[12, 14]
Hong Kong, China	14	[11, 23]	10	[8, 15]	17	[12, 29]
Israel	15	[14, 16]	18	[11, 20]	12	[12, 17]
Canada	16	[15, 19]	8	[5, 13]	23	[20, 25]
Iceland	17	[16, 18]	20	[19, 22]	16	[14, 17]
Austria	18	[17, 19]	16	[13, 18]	24	[20, 24]
Ireland	19	[16, 20]	22	[18, 23]	19	[16, 21]
Norway	20	[19, 23]	13	[10, 16]	28	[27, 28]
Estonia	21	[19, 22]	24	[22, 26]	20	[17, 20]
Belgium	22	[21, 25]	21	[19, 22]	26	[24, 27]
Luxembourg	23	[21, 24]	26	[23, 28]	18	[17, 22]
Czech Republic	24	[20, 25]	30	[29, 30]	15	[14, 17]
Australia	25	[23, 27]	15	[13, 19]	33	[31, 36]
New Zealand	26	[26, 30]	19	[18, 24]	32	[31, 36]
Malta	27	[25, 28]	29	[27, 32]	22	[20, 26]
Cyprus	28	[25, 28]	31	[30, 33]	21	[19, 22]
Italy	29	[27, 30]	33	[31, 33]	25	[23, 26]
Spain	30	[29, 30]	28	[26, 31]	29	[27, 29]
Portugal	31	[31, 32]	32	[29, 33]	30	[29, 31]
Slovenia	32	[31, 32]	27	[26, 30]	36	[33, 36]
United Arab Emirates	33	[33, 36]	23	[23, 25]	47	[45, 52]
Hungary	34	[33, 34]	34	[34, 37]	31	[29, 33]
Bulgaria	35	[33, 36]	46	[40, 48]	27	[25, 30]
Malaysia	36	[34, 36]	36	[34, 38]	34	[32, 34]
Slovakia	37	[37, 40]	42	[40, 46]	35	[34, 36]
Latvia	38	[37, 39]	38	[37, 40]	39	[39, 40]
Lithuania	39	[37, 40]	35	[34, 38]	43	[41, 44]
Poland	40	[37, 40]	37	[35, 38]	42	[40, 44]
Turkey	41	[41, 41]	45	[39, 51]	41	[40, 43]
Croatia	42	[42, 48]	41	[40, 47]	48	[47, 50]
Thailand	43	[42, 45]	47	[40, 49]	46	[45, 47]
Viet Nam	44	[42, 47]	60	[55, 69]	38	[37, 39]
Russian Federation	45	[43, 47]	43	[39, 47]	52	[50, 54]
India	46	[43, 48]	57	[47, 58]	45	[41, 47]
Greece	47	[42, 50]	39	[36, 43]	60	[56, 61]
Romania	48	[48, 52]	54	[47, 58]	50	[48, 55]
Ukraine	49	[43, 53]	76	[63, 77]	37	[37, 38]
Montenegro	50	[49, 58]	53	[52, 62]	53	[50, 60]
Philippines	51	[47, 55]	72	[61, 77]	40	[38, 43]
Mauritius	52	[49, 66]	48	[41, 69]	58	[57, 67]
Chile	53	[49, 55]	44	[40, 46]	61	[59, 62]
Serbia	54	[51, 56]	50	[48, 54]	57	[54, 59]
Mexico	55	[51, 56]	62	[54, 64]	51	[50, 53]
Costa Rica	56	[51, 58]	66	[59, 68]	49	[49, 54]
Brazil	57	[53, 59]	56	[47, 59]	59	[56, 60]
Mongolia	58	[55, 62]	65	[60, 75]	55	[46, 61]
North Macedonia	59	[55, 61]	40	[39, 58]	69	[62, 70]
Iran (Islamic Republic of)	60	[57, 65]	86	[77, 92]	44	[44, 45]
South Africa	61	[60, 64]	55	[47, 59]	68	[65, 68]
Belarus	62	[49, 64]	68	[47, 70]	62	[47, 63]
Georgia	63	[61, 69]	49	[48, 68]	74	[69, 74]
Republic of Moldova	64	[58, 66]	80	[76, 82]	54	[52, 55]
Uruguay	65	[62, 66]	69	[63, 72]	63	[61, 63]
Saudi Arabia	66	[64, 69]	59	[49, 66]	72	[68, 72]

Annex Table 2

GII 2021 and Input/Output Sub-Indices: Ranks and 90 percent confidence intervals (continued)

	GII 2021		Input Sub-Index		Output Sub-Index	
	Rank	Interval	Rank	Interval	Rank	Interval
Colombia	67	[62, 69]	58	[49, 58]	75	[72, 75]
Qatar	68	[67, 71]	64	[60, 71]	70	[68, 74]
Armenia	69	[64, 71]	85	[83, 90]	56	[54, 58]
Peru	70	[68, 73]	52	[48, 64]	82	[78, 83]
Tunisia	71	[68, 78]	78	[69, 82]	64	[63, 75]
Kuwait	72	[72, 78]	73	[70, 80]	73	[68, 74]
Argentina	73	[67, 75]	77	[63, 79]	71	[67, 73]
Jamaica	74	[68, 76]	82	[72, 87]	66	[62, 74]
Bosnia and Herzegovina	75	[73, 82]	70	[68, 81]	80	[77, 84]
Oman	76	[73, 79]	67	[60, 69]	90	[83, 90]
Morocco	77	[70, 78]	84	[80, 87]	67	[64, 67]
Bahrain	78	[73, 81]	63	[56, 71]	99	[86, 99]
Kazakhstan	79	[77, 83]	61	[56, 65]	101	[96, 101]
Azerbaijan	80	[80, 91]	74	[72, 83]	91	[89, 98]
Jordan	81	[77, 83]	79	[73, 83]	81	[78, 83]
Brunei Darussalam	82	[77, 111]	51	[46, 67]	115	[106, 127]
Panama	83	[76, 85]	83	[77, 91]	79	[68, 86]
Albania	84	[82, 86]	71	[70, 79]	92	[91, 96]
Kenya	85	[78, 86]	89	[84, 95]	76	[75, 79]
Uzbekistan	86	[84, 90]	75	[71, 83]	100	[93, 101]
Indonesia	87	[80, 87]	87	[83, 92]	84	[78, 85]
Paraguay	88	[86, 92]	90	[84, 94]	87	[79, 96]
Cabo Verde	89	[89, 97]	96	[89, 110]	88	[81, 101]
United Republic of Tanzania	90	[89, 112]	120	[116, 124]	65	[64, 104]
Ecuador	91	[89, 97]	92	[89, 100]	94	[90, 96]
Lebanon	92	[88, 95]	94	[84, 96]	97	[88, 97]
Dominican Republic	93	[92, 100]	93	[90, 99]	98	[97, 104]
Egypt	94	[85, 96]	102	[95, 103]	86	[81, 91]
Sri Lanka	95	[84, 97]	103	[93, 107]	85	[79, 88]
El Salvador	96	[89, 99]	100	[95, 102]	89	[83, 102]
Trinidad and Tobago	97	[89, 98]	97	[86, 102]	95	[89, 99]
Kyrgyzstan	98	[96, 109]	81	[80, 89]	119	[115, 121]
Pakistan	99	[90, 101]	117	[100, 117]	77	[76, 87]
Namibia	100	[96, 106]	88	[85, 97]	110	[107, 113]
Guatemala	101	[95, 107]	112	[108, 119]	83	[81, 89]
Rwanda	102	[99, 110]	91	[87, 102]	108	[106, 113]
Tajikistan	103	[98, 107]	104	[100, 117]	96	[89, 97]
Bolivia (Plurinational State of)	104	[100, 109]	95	[83, 104]	111	[109, 116]
Senegal	105	[100, 108]	105	[97, 116]	102	[97, 103]
Botswana	106	[96, 113]	98	[85, 116]	109	[107, 113]
Malawi	107	[100, 116]	118	[114, 123]	93	[87, 113]
Honduras	108	[97, 110]	101	[96, 108]	106	[99, 109]
Cambodia	109	[102, 110]	106	[100, 109]	104	[102, 105]
Madagascar	110	[101, 118]	127	[126, 129]	78	[76, 94]
Nepal	111	[102, 113]	99	[96, 107]	116	[101, 118]
Ghana	112	[102, 112]	114	[105, 117]	103	[101, 111]
Zimbabwe	113	[108, 123]	116	[104, 123]	105	[104, 120]
Côte d'Ivoire	114	[112, 119]	107	[103, 117]	121	[119, 124]
Burkina Faso	115	[115, 126]	108	[107, 119]	123	[122, 128]
Bangladesh	116	[115, 123]	121	[119, 127]	113	[111, 115]
Lao People's Democratic Republic	117	[112, 122]	123	[111, 126]	112	[107, 120]
Nigeria	118	[114, 125]	115	[106, 118]	124	[122, 128]
Uganda	119	[113, 125]	119	[109, 125]	122	[121, 125]
Algeria	120	[113, 125]	109	[98, 120]	128	[126, 131]
Zambia	121	[119, 127]	111	[104, 118]	127	[124, 130]
Mozambique	122	[115, 128]	122	[114, 126]	118	[115, 123]
Cameroon	123	[114, 127]	124	[115, 125]	117	[114, 126]
Mali	124	[116, 125]	126	[122, 126]	114	[113, 116]
Togo	125	[107, 127]	110	[108, 119]	129	[104, 129]
Ethiopia	126	[123, 129]	129	[128, 129]	107	[106, 124]
Myanmar	127	[114, 128]	128	[125, 129]	120	[106, 120]
Benin	128	[125, 131]	113	[110, 122]	132	[129, 132]
Niger	129	[120, 129]	125	[119, 128]	130	[117, 130]
Guinea	130	[130, 132]	130	[130, 132]	126	[117, 131]
Yemen	131	[128, 132]	132	[130, 132]	125	[123, 127]
Angola	132	[130, 132]	131	[130, 132]	131	[130, 132]