

SOUTH EAST EUROPE INCLUSIVE GROWTH INDEX REPORT



good.
better.
regional.



Title: South East Europe Inclusive Growth Index: Report

Publisher: Regional Cooperation Council
Trg Bosne i Hercegovine 1/V, 71000 Sarajevo
Bosnia and Herzegovina

Tel: +387 33 561 700

Fax: +387 33 561 701

E-mail: rcc@rcc.int

Website: www.rcc.int

Authors: Robin Lechtenfeld, Cambridge Econometrics
Cornelia-Madalina Suta, Cambridge Econometrics

Design: Samir Dedić

February 2026

©RCC2026 All rights reserved.

Responsibility for the content, views, interpretations and conditions expressed herein rests solely with the author(s) and can in no way be taken to reflect the views of the RCC, its participants, partners, donors or of the European Union.

CONTENTS

List of abbreviations	4
1 Introduction	5
2 2024 SEE Inclusive Growth Index	11
3 Conclusion	22
Annex	23



LIST OF ABBREVIATIONS

Acronym	Full name
DRMKC	Disaster Risk Management Knowledge Centre
EU	European Union
EU-22	EU Member States minus 5 EU Member States which are SEE economies
IGI	Inclusive Growth Index
IMF	International Monetary Fund
IRF	International Road Federation
OECD	Organisation for Economic Co-operation and Development
PCA	Principal Component Analysis
RCC	Regional Cooperation Council
SEE	South East Europe
SEE-12	The 12 SEE economies included in the current IGI
SEE non-EU	The 5 SEE economies included in the current IGI which are not EU Member States
SDG	Sustainable Development Goal
WEF	World Economic Forum
WHO	World Health Organisation

1 INTRODUCTION

The purpose of this report is to summarise inclusive growth trends in the region of South East Europe (SEE) by analysing the findings from an Inclusive Growth Index (IGI) for the region, which allows the comparison of inclusive growth trends and gaps between SEE¹ and Western European economies².

The development of the IGI applied a mixed-methods research approach, including desk research and a literature review on the multidimensional concept of inclusive growth in order to determine the relevant components, drivers, and their inter-relationships. The review uncovered how the concept has been measured in existing frameworks, i.e. which specific indicators were used and which components of inclusive growth they aim to capture. This resulted in a working definition and conceptual framework of inclusive growth which is used in this study. The construction of the IGI follows internationally established methodological practices and guidelines, with robustness tests implemented through various statistical methods and sensitivities to the methodological choices.

This report presents the results of the IGI across regions and by pillars and dimensions and over time. As such, the findings indicate the comparative strengths and weaknesses of different regions and how these developed over time. The results should provide evidence to policymakers aiming to achieve progress in terms of inclusive growth.

1.1. Conceptual framework

The conceptual framework for the SEE IGI is based on the findings from a literature on inclusive growth, both its definition and measurement, while integrating the specificities of the region. The resulting conceptual framework is thus based both on theory and existing indicators, providing an appropriate basis for measuring inclusive growth in the region.

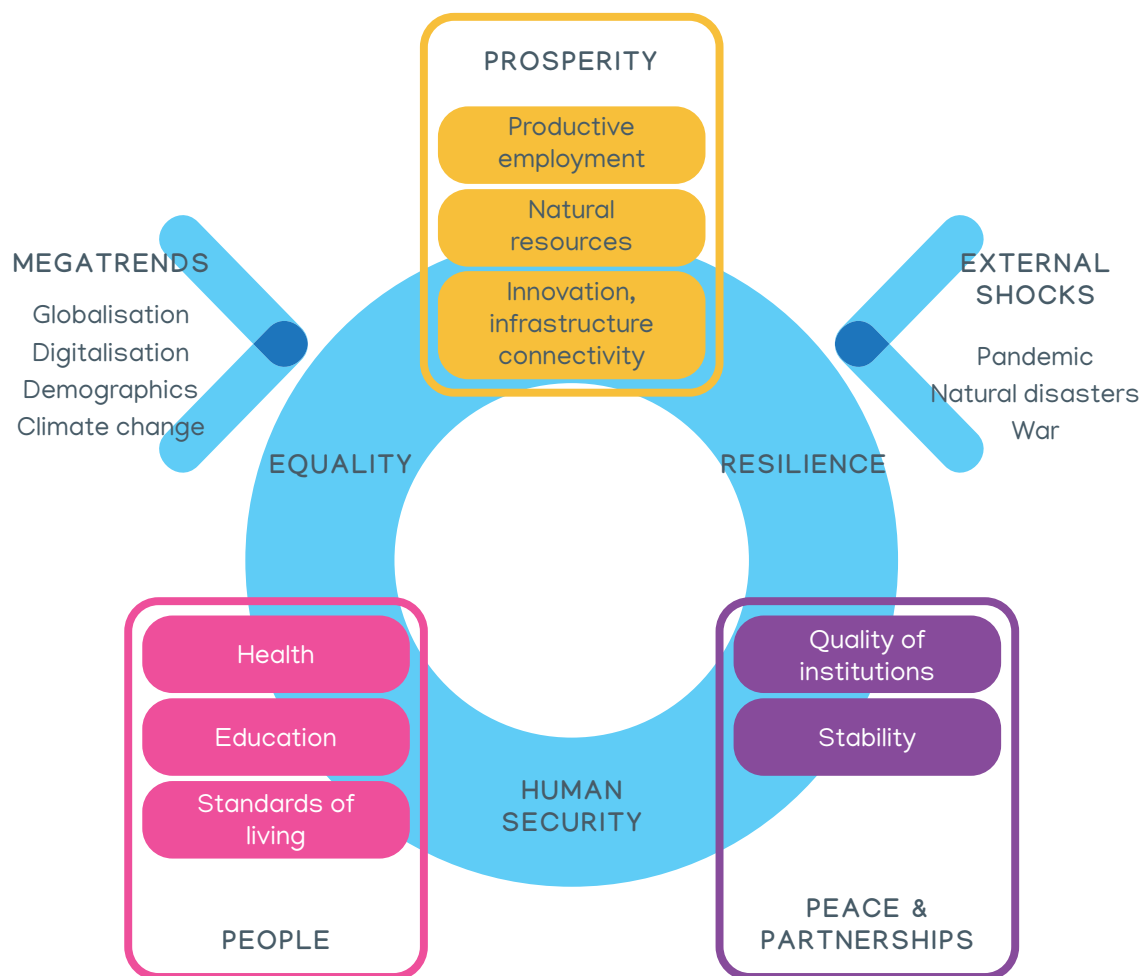
The framework is arranged around the three pillars identified by the Regional Cooperation Council (RCC) and its Participants in the SEE2030 Strategy: People, Prosperity and, Peace and Partnerships. Each of the pillars will include different dimensions to be measured. The indicators within dimensions were informed by the literature, i.e. what they intend to assess and how they are generally measured. Figure 1 shows the conceptual framework for the IGI.

The **People pillar** (in magenta), which includes the dimensions Health, Education, and Standards of living, captures the level of access to essential services and opportunities for the population. As such, it is a key driver of growth by determining the level of human capital, and an outcome of inclusiveness. A focus lies particularly with vulnerable groups, or those often excluded from equal access to opportunities in society and the economy.

1 Includes: Ankara, Athens, Belgrade, Bucharest, Chisinau, Ljubljana, Podgorica, Pristina, Sarajevo, Skopje, Sofia, Tirana, Zagreb.

2 Includes: All EU-27 Member States except those included in the SEE region.

Figure 1: Inclusive growth measurement framework



Source: Cambridge Econometrics

The literature review revealed that the degree of inclusive economic growth is intertwined with various UN Sustainable Development Goals (SDGs). In this conceptual framework, the People pillar's scope is strongly connected with the first seven SDGs:

- Goal 1 - End poverty in all its forms everywhere.
- Goal 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- Goal 3 - Ensure healthy lives and promote well-being for all at all ages.
- Goal 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- Goal 5 - Achieve gender equality and empower all women and girls.
- Goal 6 - Ensure availability and sustainable management of water and sanitation for all.
- Goal 7 - Ensure access to affordable, reliable, sustainable and modern energy for all.

The **Prosperity pillar** (in golden yellow) includes the dimensions Productive employment, Natural resources, and Innovation, infrastructure, connectivity. This pillar captures the sustainability of growth by looking at the resources (natural, human), how they are utilised and the extent to which sustainable growth is driven by innovation and supported by the infrastructure (including green and digital). The scope of the prosperity pillar is linked with goals eight to fifteen of the SDGs:

- Goal 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- Goal 9 - Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- Goal 10 - Reduce inequality within and among countries.
- Goal 11 - Make cities and human settlements inclusive, safe, resilient and sustainable.
- Goal 12 - Ensure sustainable consumption and production patterns.
- Goal 13 - Take urgent action to combat climate change and its impacts.
- Goal 14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
- Goal 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification.

The **Peace and Partnerships pillar** (in violet), which includes the dimensions of Quality of institutions and Stability, looks at the general framework for enabling inclusive growth. Much like the previous two pillars, the Peace and Partnerships pillar is connected to the SDGs, namely the last two:

- Goal 16 - Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- Goal 17 - Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.

The three pillars and their respective dimensions are interrelated. They should not be considered as independent from each other, since the dimensions are either inputs, outputs or outcomes of inclusive growth. For example, access to services and opportunities (People) will determine the quality of employment (Prosperity). Similarly, productive employment is needed to ensure certain standards of living. The quality of institutions (Peace and Partnerships) is necessary for the provision of quality services (People) and efficient use of resources (Prosperity).

Equality, human security, and resilience are cross-cutting areas, which influence dimensions in the different pillars and are needed to ensure inclusiveness of growth. The inclusiveness of growth is also affected by megatrends and external shocks and how economies are harnessing the megatrends and mitigating the external shocks.

1.2. Indicator selection

Based on the literature review, a list of indicators was identified to be included in the conceptual framework. The selection of indicators was based on three criteria:

1. The definition of each of the pillars and dimensions in the conceptual framework;
2. The data availability of each indicator for the 13 SEE economies and rest of EU-27 Member States (referred to as EU-22 henceforth); and
3. All the indicators should be sourced from internationally harmonised data sources. Therefore, to ensure comparability across economies, the prioritised sources are: Eurostat, United Nations, World Bank, WHO, IMF, and OECD.

The list of indicators meeting criterium 1 reached around 90 indicators. When investigating sources for a specific indicator, an initial rapid assessment was done to determine whether economies from the Western Balkans were included in the source. If this was the case, the indicators were selected for further examination of data availability. In total, data for 76 different indicators were collected.

All indicators were checked to assess 1) for how many economies (out of the 35 economies: 13 SEE economies plus 22 remaining EU economies) was data available; and 2) for how many economies from the 13 SEE economies was data available. Based on a threshold of economies covered, indicators were either kept or removed after this step. Indicators for which data for less than 21 economies (out of 35) was available were removed. This included eight indicators. Indicators for which data for less than 9 SEE economies (out of 13) was available were removed. This included two indicators.

After data availability checks, the list included 62 indicators. At this stage, a closer examination of the remaining indicators resulted in the removal of indicators which were either duplicates of other indicators or were similar enough to others to justify their removal. Throughout the process, in cases when specific indicators could not be located or performed poorly in terms of data availability, alternative indicators or sources were sought out and collected. The time period for the indicator data was set to 2015 and onwards.

Figure 2 presents the final framework of 39 indicators.³ This indicator framework is the result of literature review and statistical analysis methods to inform the optimal selection and allocation of indicators based on their properties. These indicators were allocated to the various dimensions within the three pillars of the conceptual framework. The aim is to ensure that the indicators capture the relevant components of each dimension. For example, within the dimension of Education in the People pillar, both access to (or coverage of) education systems as well as outcomes are to be captured. In this case, the indicator 'Ratio of pupils and students to teachers and academic staff for ISCED 1-2' measures access/coverage, while indicators 'Completion rate: upper secondary education (%)' and 'Share of tertiary graduates in STEM fields (%)' are outcome indicators. Similarly, within the Health dimension of the same pillar, there are indicators measuring different components.

Cross-cutting aspects, such as inequality and poverty, are incorporated within various dimensions by including indicators which are disaggregated by a specific target group or by having combined indicators.

³ The full list of indicators and the data source for each is available in the Table 2 of the Annex.

For example, 'Female employment rates' measures gender equality, while 'In-work at-risk-of-poverty rate' indicates the extent of poverty.

The IGI indicator framework presents similarities with existing frameworks for measuring similar concepts as inclusive growth, given that it is informed by the literature. In various cases, the exact indicator is also available in other frameworks. In other cases, the indicators were largely similar to those in other frameworks, i.e. they aim to measure the same thing.

Several indicators are specific to the SEE IGI, i.e. they are not present in the existing frameworks by other international organisations that were reviewed. These indicators aim to capture the extent of brain drain resulting from emigration of the skilled workforce, an area of concern within the region's economies. The aspect of brain drain is therefore explicitly incorporated in the SEE IGI framework, while not addressed in other frameworks.

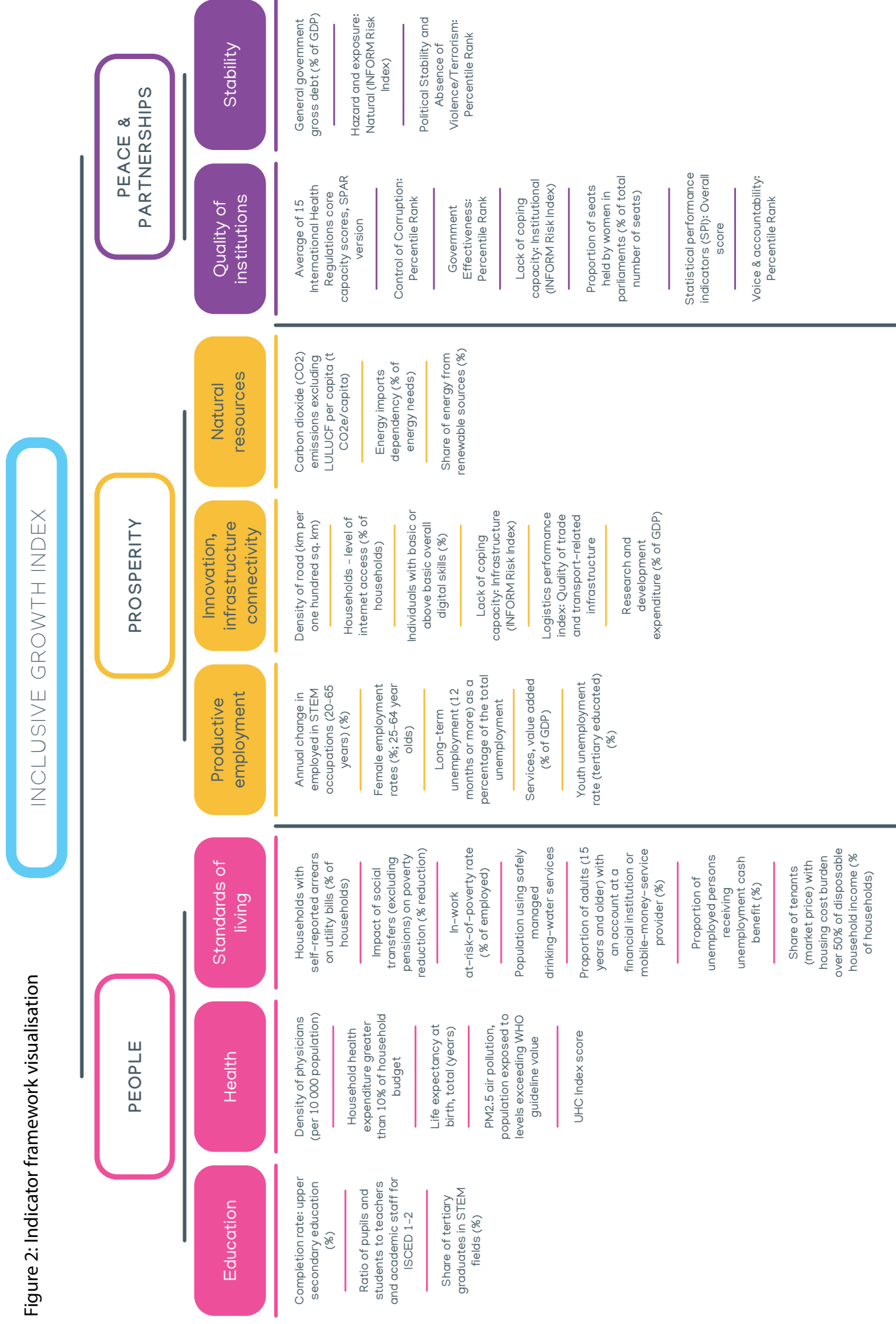
Another aspect, which is specific to the SEE IGI, is the explicit incorporation of indicators measuring economies' preparedness for hazards, be they natural or institutional. Together with various other indicators, the Stability of an economy is measured, another important area of concern within the region.

Concerning the green and digital transition, the SEE IGI includes indicators which are generally not found in existing inclusive growth frameworks. These include, for example, the share of 'Individuals with basic or above basic overall digital skills' or the 'Share of energy from renewable sources'.

Jointly, the dimensions (and individual indicators) aim to capture progress towards inclusive growth within the SEE region.



Figure 2: Indicator framework visualisation



Source: Cambridge Econometrics.

2 2024 SEE INCLUSIVE GROWTH INDEX

Figure 3 shows the IGI, pillar, and dimension scores of the 2024 IGI, comparing the performances of different regions to each other, with scores representing the averaged values of economies within each region. The performances of the following regions are analysed:

- EU-27: includes all 27 EU Member States;
- EU-22: includes the 22 EU Member States which are not part of the SEE region;
- SEE: includes all economies of the SEE region (including EU Member States);
- SEE-EU: includes all economies of the SEE region which are also EU Member States; and
- SEE non-EU: includes all economies of the SEE region which are not EU Member States.

In terms of the overall IGI, there remains an average gap of 13 points between the EU-22 and the SEE region. The gap is much smaller when comparing the EU-22 to the SEE-EU region (4 points), while it is wider for the SEE non-EU region (19 points). This clearly demonstrates the differences in terms of inclusive growth progress across different parts of the SEE region, with EU Member States generally being more advanced than the non-EU economies in the same region.

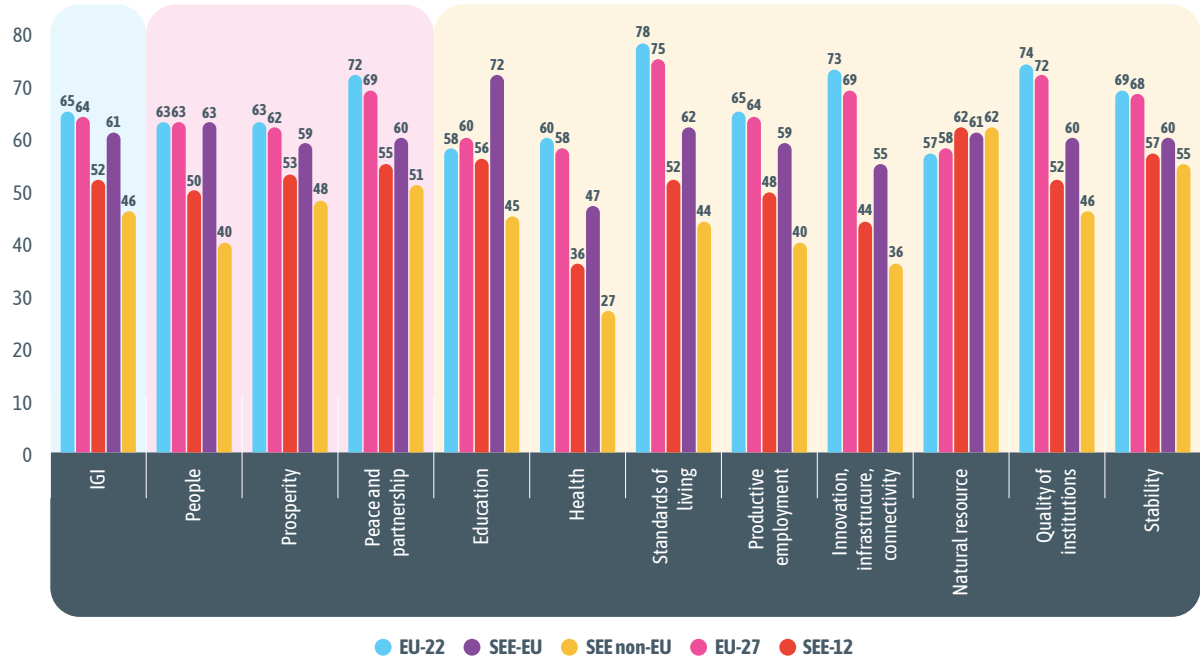
Looking at the three pillars, the largest distance from the SEE region to the EU-22 is seen in the Peace and partnership pillar, while the gap is lower in the Prosperity pillar, and similar to the overall IGI in the People pillar. However, the gap between SEE-EU and SEE non-EU is largest in the People pillar, indicating that this is the area in which EU economies are boosted compared to non-EU economies.

Considering the individual dimensions, the largest gap is in the Innovation, infrastructure, connectivity dimension, with 29 points difference between SEE and EU-22. Other dimensions with relatively large room for convergence are the Standards of living, Health, and Quality of institutions dimensions, with gaps of 26, 24 and 22 points, respectively. On the other hand, the SEE region performs well in the dimensions of Natural resources and Education, where average scores are around or even above the EU-22 scores. When comparing dimension scores between the SEE-EU and SEE non-EU, substantial differences are visible in the areas of Education, Health, Standards of living, Productive employment, and Innovation, infrastructure, connectivity. On average, the gap between the two SEE regions is 19 points. On the other hand, the SEE non-EU region performs comparatively well in the Natural resources dimension, outperforming other regions.

Figure 4 shows the evolution of IGI and pillar scores between the five regions over the last ten years. Over this period, the distance between SEE and EU-22 regions has narrowed from 15 to 13 points, an indication of gradual convergence with the EU. On the other hand, the average gap between the SEE-EU and SEE non-EU regions has widened slightly over the last decade, from 13 points in 2015 to 15 points in 2024.

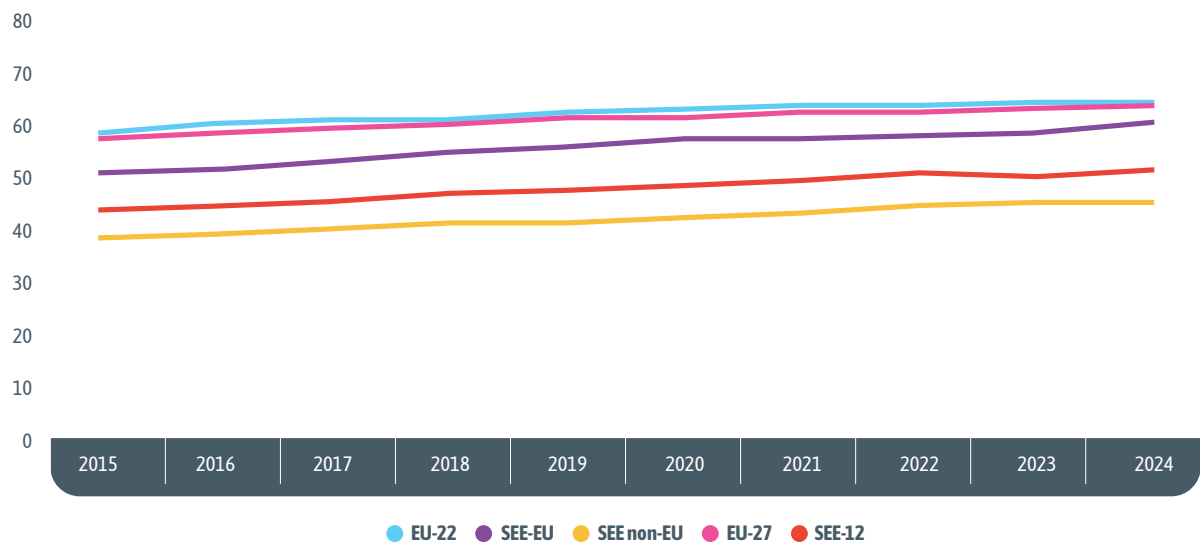
This suggests a risk of non-EU economies falling behind, while EU economies benefit from Membership and alignment with EU in terms of inclusive growth developments.

Figure 3: IGI scores in 2024 at Index, pillar and dimension level



Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

Figure 4: IGI scores at Index level, 2015-2024

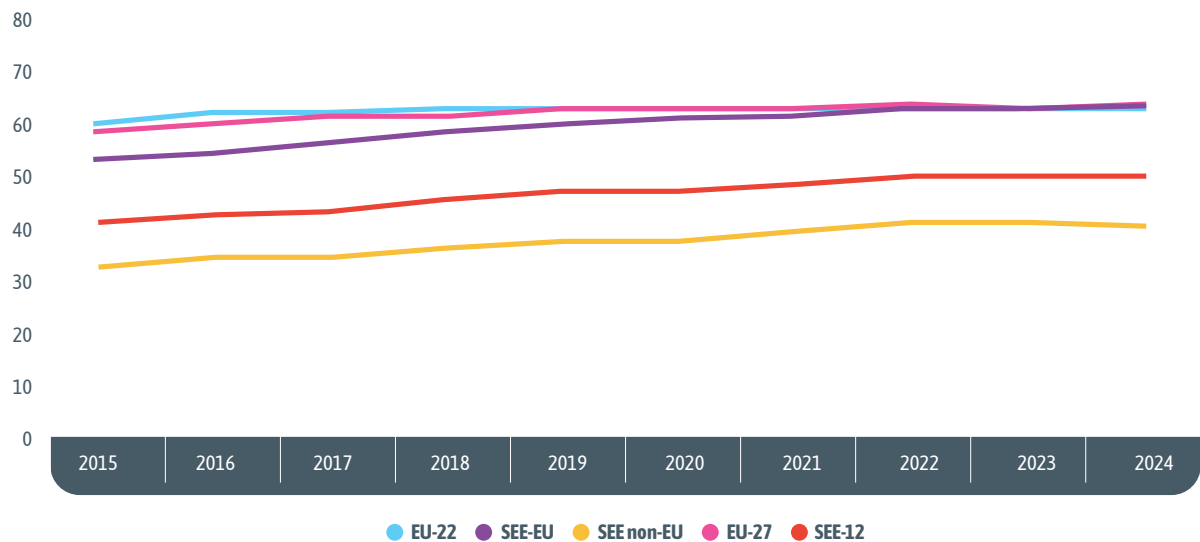


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

2.1. People pillar

Figure 5 shows the trend, by region, for the People pillar of the IGI. A clear convergence between EU economies is observable, as the gap between the EU-22 and the SEE-EU disappeared over the last ten years, down from 7 points on average a decade earlier. There is a clear correlation between EU membership and the realisation of people-centred inclusive growth prospects. Conversely, although some progress was made in the SEE and SEE non-EU region (+9 and +8 points respectively over the decade), the gap with the EU-22 and EU-27 has remained large. There are signs of narrowing the gap, but it is likely a lengthy process.

Figure 5: People pillar scores, 2015-2024

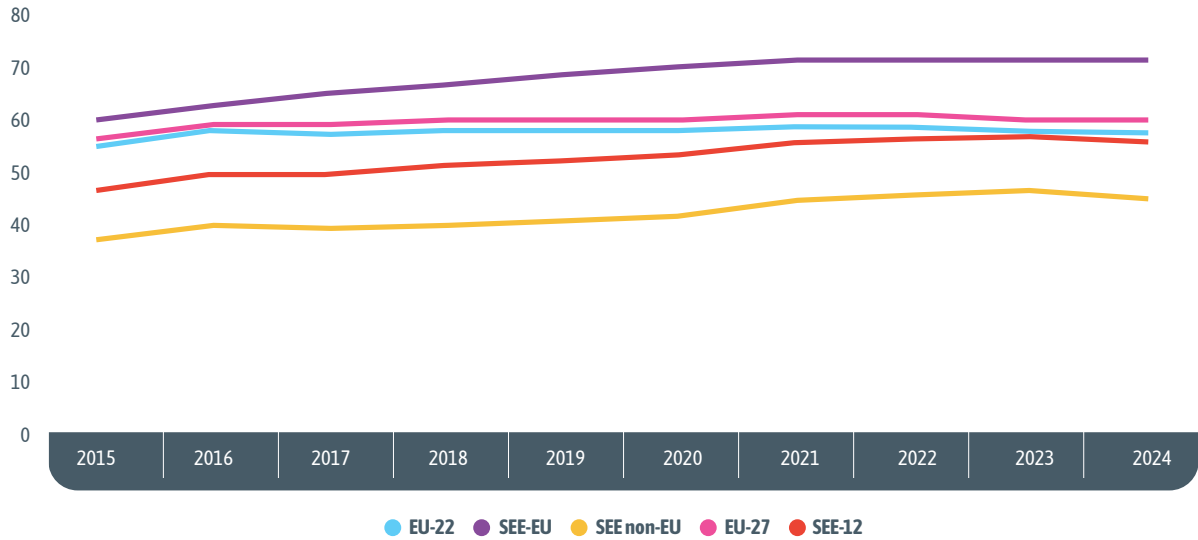


Source: Cambridge Econometrics. **Note:** Scores represent the averaged values of economies within each region.

Education dimension

Figure 6 shows regional trends in the Education dimension of the People pillar. Clear progress is visible for the SEE region, outperforming the EU region. The SEE region essentially achieved convergence with the EU in terms of Education, as the gap with EU-22 reduced from 8 to just 2 points, on average, over the last ten years. Notably, the SEE-EU region performs better than all other regions, with the distance having widened over time, whereas progress in the other parts of the EU remained modest. The SEE non-EU region also gained, and the distance to the EU-27 reduced. However, in this dimension in particular, the within-region gap for the SEE is substantial and has increased over time, suggesting, again, a risk of non-EU economies within the SEE region falling behind.

Figure 6: Education dimension scores, 2015-2024

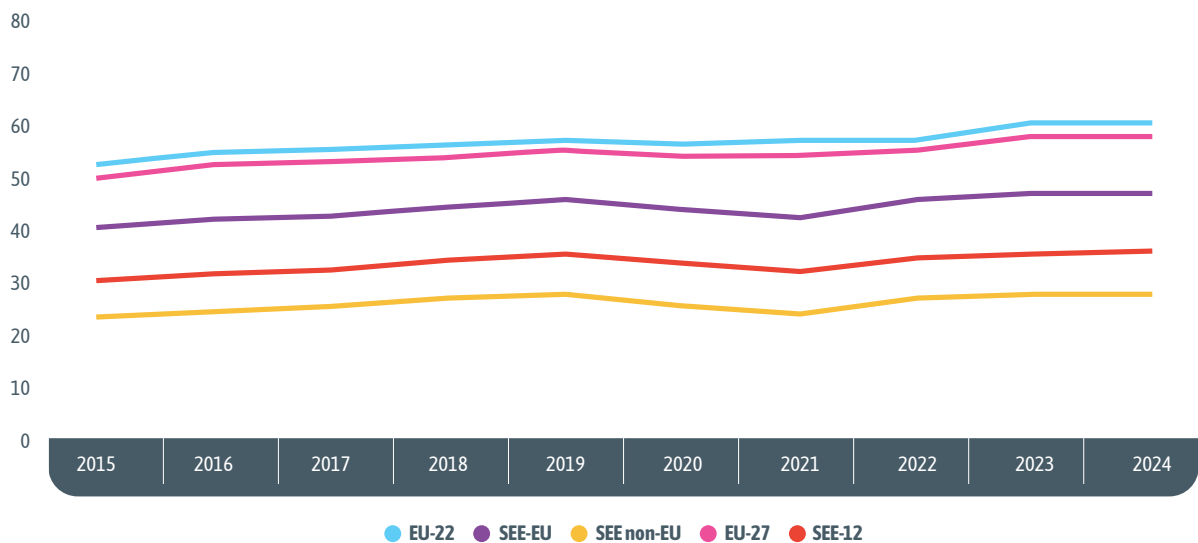


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

Health dimension

Figure 7 shows regional trends in the Health dimension of the People pillar. Developments over the last decade were similar across the different regions, with the EU regions achieving a 7–8-point improvement, while the SEE regions improved by 4–5 points. The gradual progress over time was only halted during the years of the COVID-19 pandemic, but a speedy recovery afterwards is observable. In the Health dimension, some of the largest gaps between EU and SEE regions are witnessed, with the distance between the EU-27 and the SEE non-EU having increased over the last ten years, reaching 30 points in 2024.

Figure 7: Health dimension scores, 2015-2024

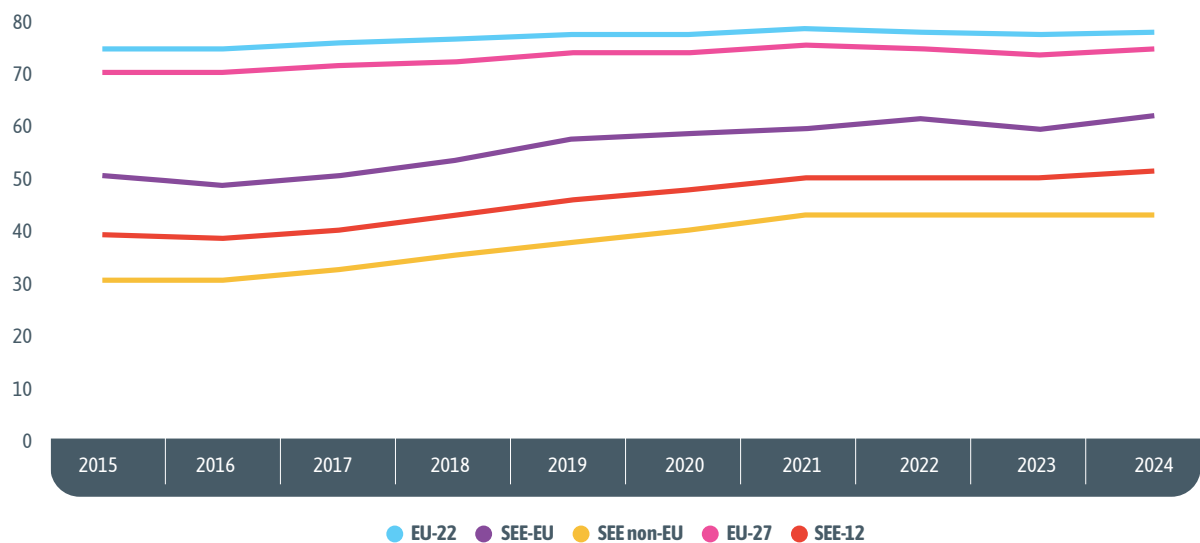


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

Standards of living dimension

Figure 8 shows regional trends in the Standards of living dimension of the People pillar. This is where a substantial convergence between the SEE and EU regions can be seen, as improvements in the SEE regions over the last decade outperform those in the EU regions by, on average, 8 points. The gap between SEE and EU-22 reduced by 9 points. While Standards of living performance in the EU remained relatively stable over the period, progress in the SEE was strong. Although there remains room for further convergence, the trend indicates to an optimistic outlook.

Figure 8: Standards of living dimension scores, 2015-2024

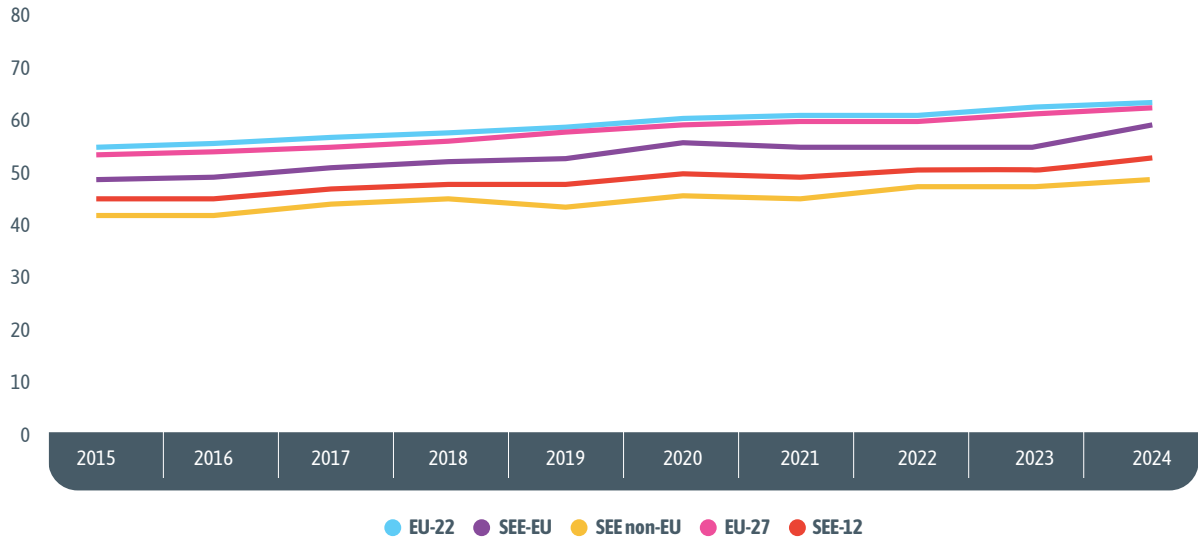


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

2.2. Prosperity pillar

Figure 9 shows the trend, by region, for the Prosperity pillar of the IGI. While a gap remains present between EU and SEE regions, it is lower than in other IGI pillars. Over the last decade, the gap between SEE-EU and EU-22 has declined slightly, indicating some convergence between regions within the EU. However, when considering the SEE non-EU region, the gap to the EU-27 has widened slightly over time, standing at 14 points in 2024.

Figure 9: Prosperity pillar scores, 2015-2024

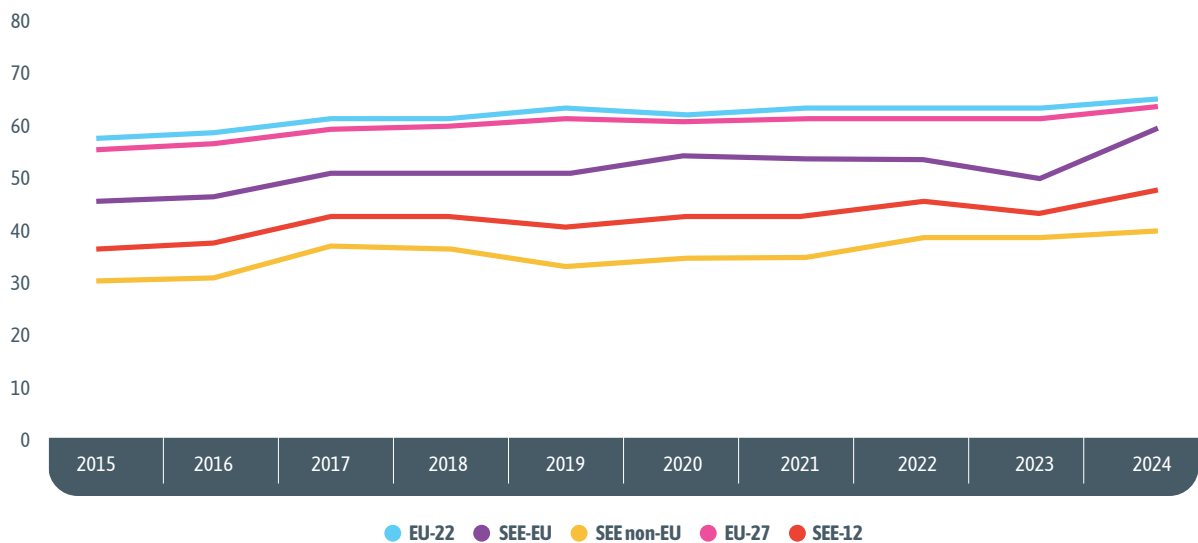


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

Productive employment dimension

Figure 10 shows regional trends in the Productive employment dimension of the Prosperity pillar. Convergence is visible between the different regions, with the gap between the SEE and EU-22 regions narrowing by 4 points over the decade. However, at the same time, the gap between SEE regions, comparing the region of EU economies to the region outside the EU, has slightly widened. This looks to be a recent development, where, up until 2023, this distance had declined. Therefore, it is unclear whether this development continues, but, overall, room for progress remains.

Figure 10: Productive employment dimension scores, 2015-2024

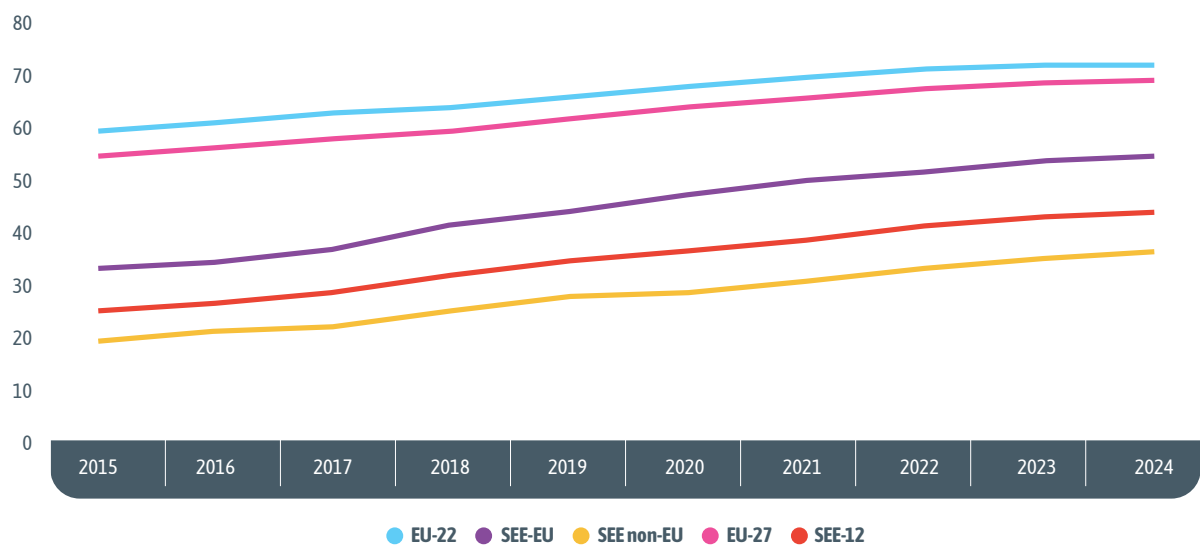


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

Innovation, infrastructure, connectivity dimension

Figure 11 shows regional trends in the Innovation, infrastructure, connectivity dimension of the Prosperity pillar. The distance between EU and SEE regions remained strong and pronounced over the last ten years. The SEE region remains 29 points below the EU-22 in 2024 and the gap between the SEE non-EU and EU-27 is larger still, at 33 points. Nonetheless, healthy improvements are observed everywhere, with all regions achieving at least double-digit point increases in the ten years leading up to 2024. Moreover, the gap between SEE and EU has fallen, as SEE regions improved more than the EU. Still, much of this development is driven by EU economies' progress within the SEE region and there remains a risk of non-EU SEE economies being left behind.

Figure 11: Innovation, infrastructure, connectivity dimension scores, 2015-2024

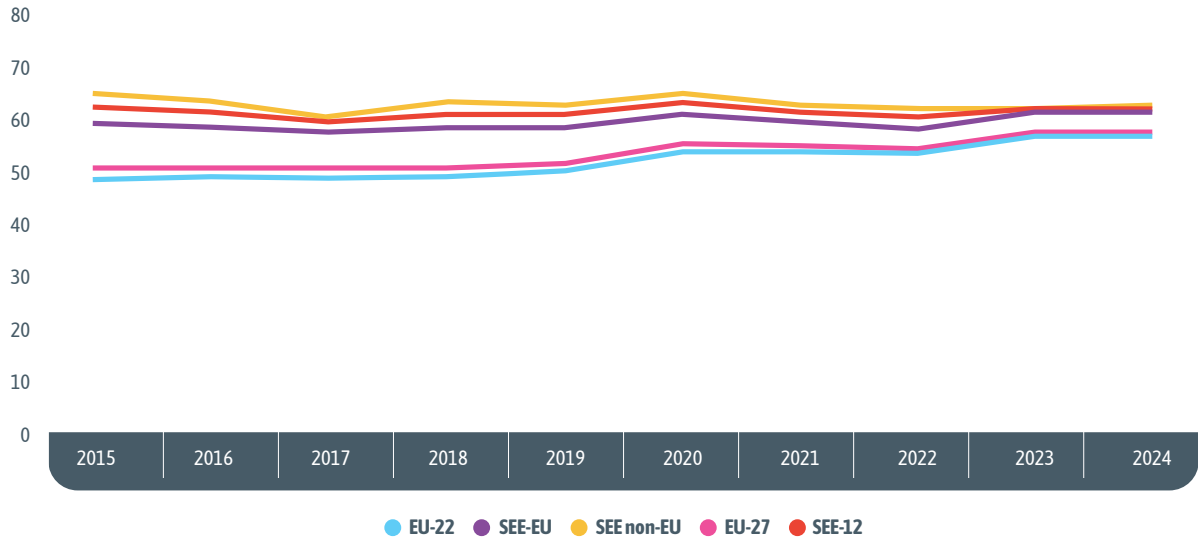


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

Natural resources

Figure 12 shows regional trends in the Natural resources dimension of the Prosperity pillar. It is this dimension that drives the comparatively more positive scores at the pillar level for the SEE regions. Compared to the EU-22, the SEE regions outperform in the area of Natural resources. However, this advantage is gradually disappearing over time, as the gap between SEE and EU-22 reduced from 14 to 5 points between 2015 and 2024.

Figure 12: Natural resources dimension scores, 2015-2024

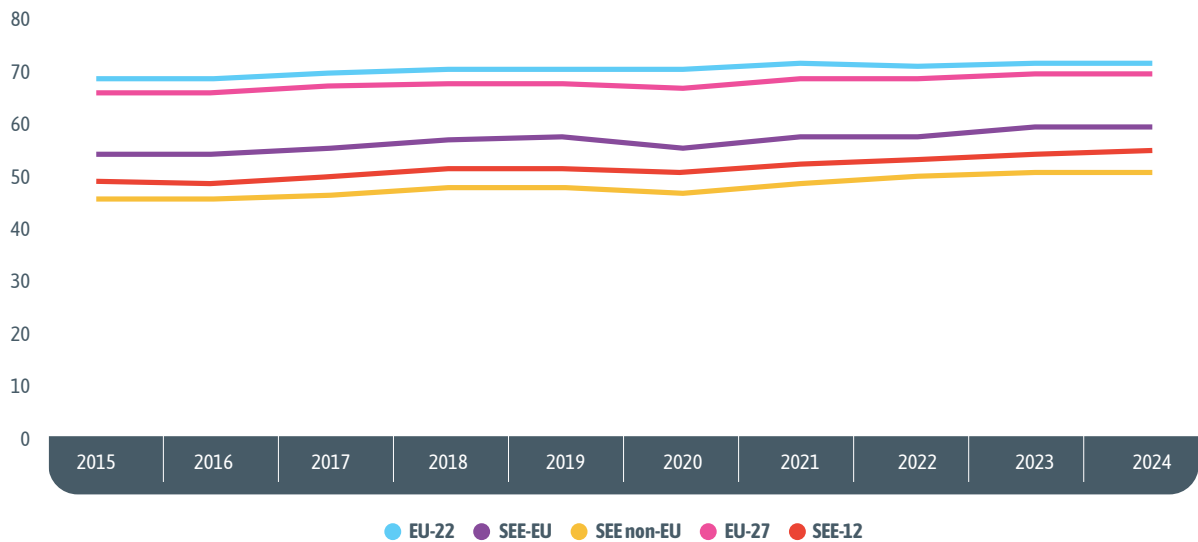


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

2.3. Peace and partnerships pillar

Figure 13 shows the trend, by region, for the Peace and partnerships pillar of the IGI. The distance between regions – both between EU and SEE regions and within SEE regions – remained broadly stable over the last ten years, with slight improvements. A clear gap between EU and SEE regions remains visible, with the SEE region lagging behind the EU-22 by 17 points in 2024.

Figure 13: Peace and partnership pillar scores, 2015-2024

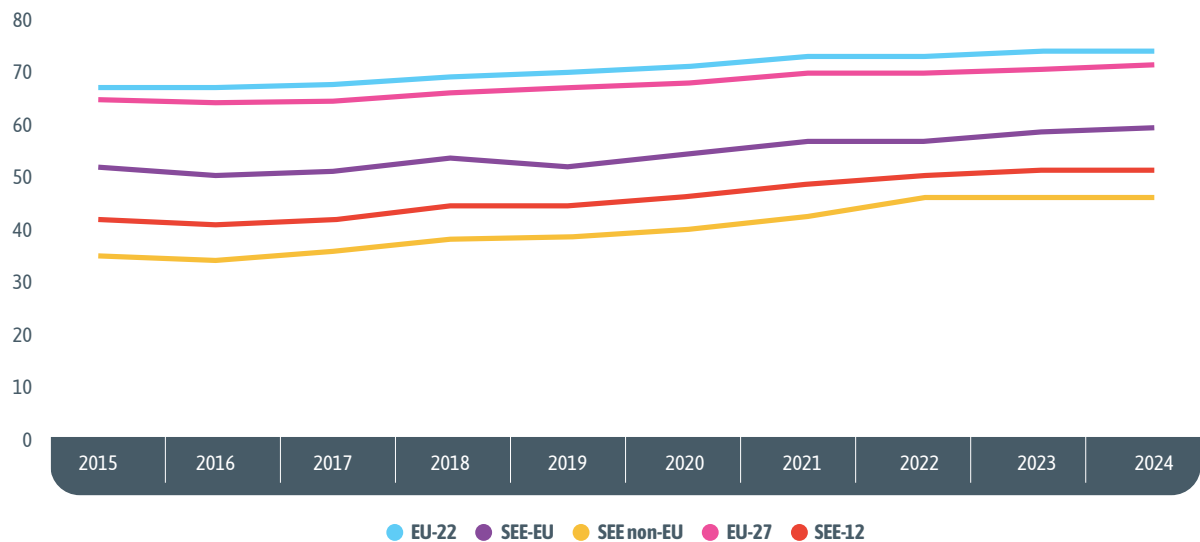


Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

Quality of institutions dimension

Figure 14 shows regional trends in the Quality of institutions dimension of the Peace and partnerships pillar. The distance between the SEE and EU reduced slightly over the decade, with improvements in the former region having been more pronounced than in the latter. The SEE region strengthened its performance by 10 points between 2015 and 2024, while the EU-22 achieved a 7-point-improvement over the same period. Moreover, the gap between SEE-EU and SEE non-EU also declined, indicating convergence of non-EU economies with EU economies in terms of their quality of institutions.

Figure 14: Quality of institutions dimension scores, 2015-2024

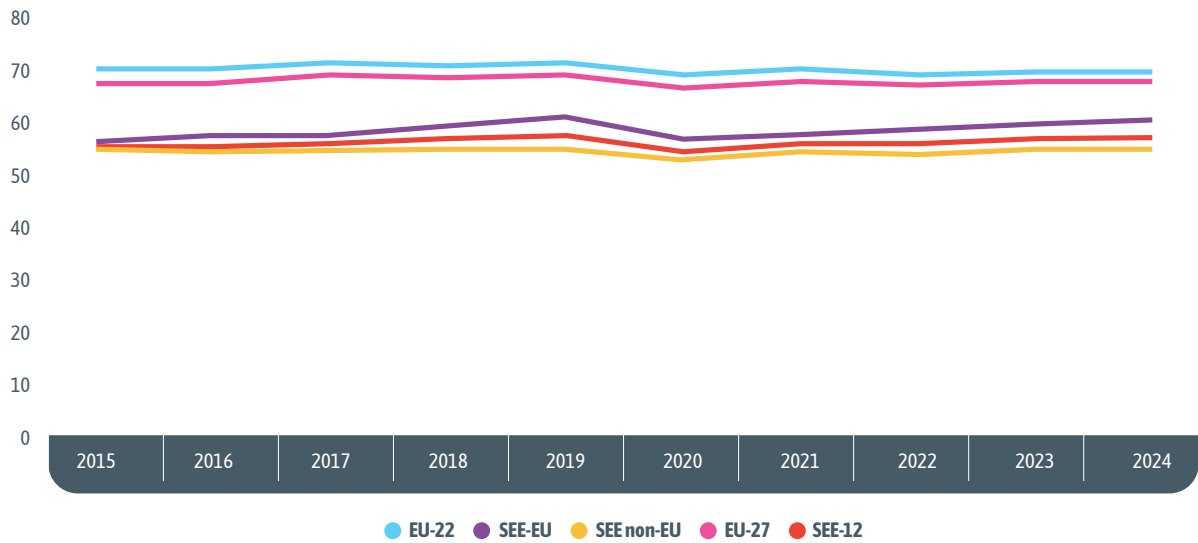


Source: Cambridge Econometrics. **Note:** Scores represent the averaged values of economies within each region.

Stability dimension

Figure 15 shows regional trends in the Stability dimension of the Peace and partnerships pillar. While developments have, mostly, been stable over the last ten years, a clear impact of the COVID-19 pandemic is observable in 2020, with performance still lagging behind pre-2020 trajectories in most regions. There remains a gap between SEE and EU-22, which has, however, declined since 2015, down from 15 points to 12 points in 2024. However, regarding stability, a concerning trend is visible when comparing regions within SEE. In 2014, the gap between SEE-EU and SEE non-EU was negligible, but by 2024, it reached 5 points.

Figure 15: Stability dimension scores, 2015-2024



Source: Cambridge Econometrics. Note: Scores represent the averaged values of economies within each region.

2.4. Sensitivity analysis

The SEE IGI, as described above, was tested against seven scenarios, which alter parts of the methodology: either the normalisation method, the weighting schemes, or the aggregation method. The sensitivity analysis was conducted to understand the implications of alterations to the IGI methodology on the evolution of scores. It needs to be noted that there are advantages and disadvantages to each methodological decision. No methodological choice can be found to be objectively preferable to another, i.e. the differences in results between sensitivities do not have implications on the statistical robustness of the IGI.

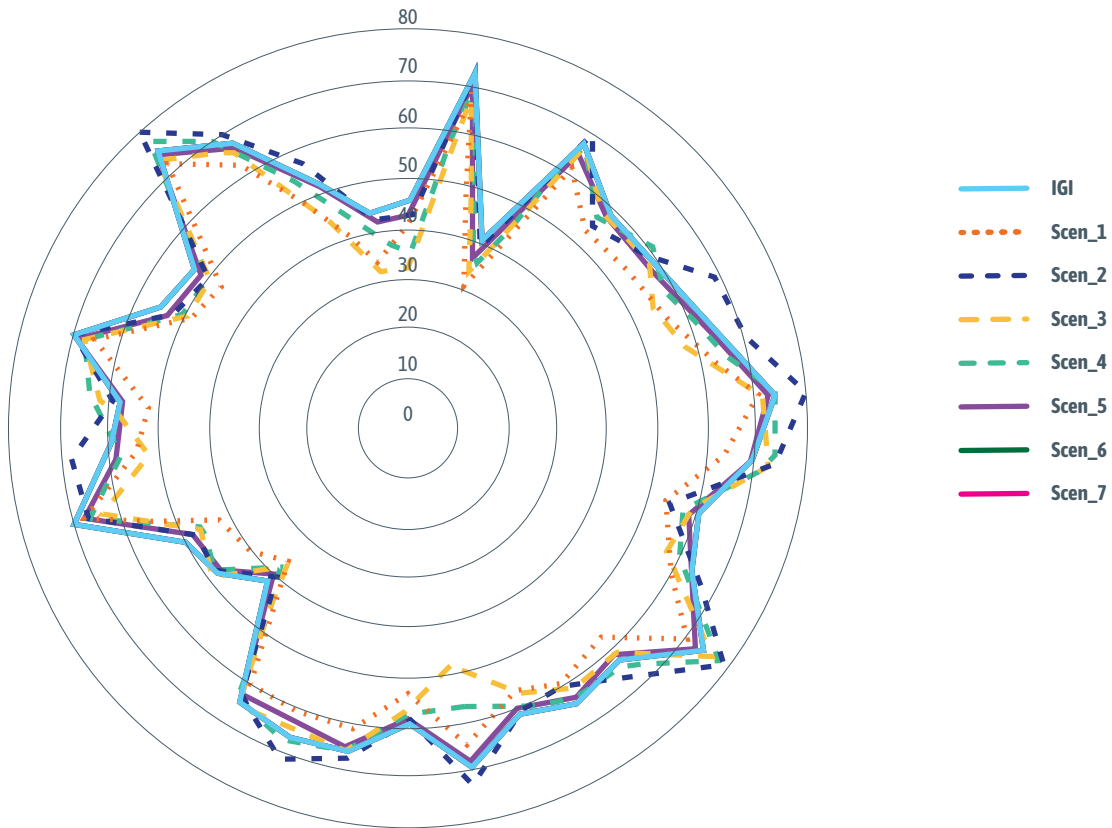
Figure 16 indicates the differences in the total IGI scores between the baseline IGI and the seven sensitivities. The differences are small in most cases, an indication of the robustness of the SEE IGI.⁴

Changing the normalisation method from calculation over ten years to each individual year does not result in major discrepancies in results compared to the baseline (Sensitivity 1). Similarly, equal weighting leads to mostly similar results as using weights determined through correlation analysis (Sensitivity 2). The largest differences are observed in Sensitivities 3 and 4, though only in a few cases. These sensitivities use unequal weights, but different ones to those applied in the baseline. In these cases, informed through statistical analysis (correlation or principal component analysis (PCA)) the weights of a few indicators are set to zero. In cases where an economy happens to only have data for the one indicator which is set to a weight of zero, this results in the dimension to become missing for the economy, dragging down the score at pillar (and Index) level. This is therefore an issue of data availability, rather than a potential problem with the baseline methodology.

⁴ Table 3 of the Annex describes the various sensitivities and how the scores are different from the baseline IGI.

Lastly, changing the aggregation method from arithmetic to geometric does not significantly influence the results of the IGI.

Figure 16: Sensitivity analysis of scores



Note: The economies names were removed since the figure aims to show how robust the Index is to methodological choices. Scores represent the averaged values of economies within each region.

Source: Cambridge Econometrics

3 CONCLUSION

The concept of inclusive growth is central to the sustainable development of South East Europe (SEE), reflecting the region's ambition to ensure that economic progress translates into broad-based improvements in living standards and opportunities for all segments of society, as reflected in the SEE2030 Strategy. This report has developed and applied a robust conceptual framework for measuring inclusive growth, grounded in an extensive literature review and tailored to the specificities of the SEE region. The framework is structured around three pillars – People, Prosperity, and Peace & partnerships – each encompassing multiple dimensions, and is by internationally harmonised indicators.

The IGI constructed for SEE enables a nuanced comparison of inclusive growth trends and gaps between SEE economies and their Western European counterparts. The results highlight both progress and persistent challenges. Over the past decade, the SEE-12 region has made notable advances relative to the EU-22 in several areas, with the most significant improvements observed in Standards of living, Education, and Productive employment. These gains reflect the region's efforts to enhance human capital, foster innovation, and improve access to essential services.

Despite these positive trends, the analysis also reveals areas where SEE continues to lag behind. The largest gaps with the EU-22 are found in the dimensions of Innovation, infrastructure, connectivity, Health, and Quality of institutions. The divide is particularly pronounced between SEE economies that are EU Member States and those that are not, with non-EU SEE economies at greater risk of falling behind. This underscores the importance of continued policy focus on institutional quality, health outcomes, and infrastructure development to ensure that all parts of the region can benefit from inclusive growth.

The IGI's score robustness has been confirmed through sensitivity analyses, which show that the results are generally stable across different normalisation, weighting, and aggregation approaches. This provides confidence that the observed trends and gaps reflect genuine differences in inclusive growth performance.

Policymakers should leverage these insights to target interventions where they are most needed, fostering convergence within the region and with the broader European context. The IGI framework offers a valuable tool for monitoring progress, identifying strengths and weaknesses, and guiding evidence-based policy to achieve more inclusive and sustainable growth in SEE.

ANNEX

Table 2: SEE IGI indicators

Pillar	Dimension	Indicator	Nr	Source
People	Education	Completion rate: upper secondary education (%)	1	UNSD
		Ratio of pupils and students to teachers and academic staff for ISCED 1-2	2	Eurostat
		Share of tertiary graduates in STEM fields (%)	3	Eurostat
	Health	Density of physicians (per 10 000 population)	4	WHO
		Household health expenditure greater than 10% of household budget	5	UNSD
		Life expectancy at birth, total (years)	6	World Bank
		PM2.5 air pollution, population exposed to levels exceeding WHO guideline value	7	World Bank
		UHC Index score	8	UNSD
	Standards of living	Households with self-reported arrears on utility bills (% of households)	9	Eurostat
		Impact of social transfers (excluding pensions) on poverty reduction (% reduction)	10	Eurostat
		In-work at-risk-of-poverty rate (% of employed)	11	Eurostat
		Population using safely managed drinking-water services	12	UNSD
		Proportion of adults (15 years and older) with an account at a financial institution or mobile-money-service provider (%)	13	UNSD
		Proportion of unemployed persons receiving unemployment cash benefit (%)	14	UNSD
		Share of tenants (market price) with housing cost burden over 50 % of disposable household income (% of households)	15	Eurostat

Pillar	Dimension	Indicator	Nr	Source
Prosperity	Productive employment	Annual change in employed in STEM occupations (20-65 years) (%)	16	Eurostat
		Female employment rates (%) (25-64 year olds)	17	Eurostat
		Long-term unemployment (12 months or more) as a percentage of the total unemployment	18	Eurostat
		Services, value added (% of GDP)	19	World Bank
		Youth unemployment rate (tertiary educated) (%)	20	Eurostat
		Density of road (km per one hundred sq. km)	21	IRF
	Innovation, infrastructure, connectivity	Households - level of internet access (% of households)	22	Eurostat
		Individuals with basic or above basic overall digital skills (%)	23	Eurostat
		Lack of coping capacity: Infrastructure (INFORM Risk Index)	24	DRMKC
		Logistics performance index: Quality of trade and transport-related infrastructure	25	World Bank
		Research and development expenditure (% of GDP)	26	Eurostat
		Carbon dioxide (CO2) emissions excluding LULUCF per capita (t CO2e/capita)	27	World Bank
	Natural resources	Energy imports dependency (% of energy needs)	28	Eurostat
		Share of energy from renewable sources (%)	29	Eurostat
		Average of 15 International Health Regulations core capacity scores, SPAR version	30	WHO
Peace & partnership	Quality of institutions	Control of Corruption: Percentile Rank	31	World Bank
		Government Effectiveness: Percentile Rank	32	World Bank
		Lack of coping capacity: Institutional (INFORM Risk Index)	33	DRMKC
		Proportion of seats held by women in parliaments (% of total number of seats)	34	UNSD
		Statistical performance indicators (SPI): Overall score (scale 0-100)	35	World Bank
		Voice and Accountability: Percentile Rank	36	World Bank
	Stability	General government gross debt (% of GDP)	37	IMF
		Hazard and exposure: Natural (INFORM Risk Index)	38	DRMKC
		Political Stability and Absence of Violence/ Terrorism: Percentile Rank	39	World Bank

Source: Cambridge Econometrics.

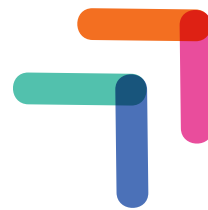
Table 3: Description of IGI sensitivities

Name	Normalisation	Weighting	Weights	Aggregation Dimension	Aggregation Pillar	Aggregation Index	Description
IGI	10 years	unequal	Correlation	arithmetic	arithmetic	arithmetic	Main specification using 10-year min-max normalisation, unequal weights based on indicator-dimension correlations, and arithmetic aggregation at all levels. This approach balances indicator influence while maintaining comparability over time. However, it may smooth out short-term fluctuations and reflect long-term trends more strongly.
Sensitivity 1	yearly	unequal	Correlation	arithmetic	arithmetic	arithmetic	Tests the impact of annual normalisation (year-by-year min-max) while keeping the same weighting and aggregation methods as the baseline. This may increase sensitivity to short-term changes and volatility, potentially amplifying year-to-year variation in scores.
Sensitivity 2	10 years	equal	-	arithmetic	arithmetic	arithmetic	Assesses the effect of using equal weights across all indicators, with 10-year normalisation and unchanged aggregation methods. This removes data-driven weighting, potentially diluting the influence of more relevant indicators and flattening differences across dimensions.

Name	Normalisation	Weighting	Weights	Aggregation Dimension	Aggregation Pillar	Aggregation Index	Description
Sensitivity 3	10 years	unequal	Correlation 2	arithmetic	arithmetic	arithmetic	Uses an alternative correlation-based weighting scheme which may shift the relative importance of indicators, affecting the ranking and balance of contributions across dimensions. It aims to test the robustness of IGI scores to different weights.
Sensitivity 4	10 years	unequal	PCA	arithmetic	arithmetic	arithmetic	Applies PCA-based weights to explore how data-driven factor loadings influence the composite scores. This method emphasizes indicators that explain more variance, which may lead to dominance by a few indicators and reduce interpretability.
Sensitivity 5	10 years	unequal	Correlation	arithmetic	geometric	arithmetic	Tests the effect of geometric aggregation at the pillar level, while keeping baseline normalisation and correlation-based weights. Geometric aggregation penalises low-performing dimensions more heavily, potentially lowering pillar scores and increasing differentiation.

Name	Normalisation	Weighting	Weights	Aggregation Dimension	Aggregation Pillar	Aggregation Index	Description
Sensitivity 6	10 years	unequal	Correlation	arithmetic	arithmetic	geometric	Introduces geometric aggregation at the Index level to assess sensitivity to changes in top-level aggregation. This can reduce compensability between pillars, making it harder for high scores in one area to offset low scores in another.
Sensitivity 7	10 years	unequal	Correlation	arithmetic	geometric	geometric	Applies geometric aggregation at both pillar and Index levels to evaluate the combined impact of non-linear aggregation methods. This approach may significantly alter overall scores and rankings, especially for entities with uneven performance across dimensions or pillars.

Source: Cambridge Econometrics



good.better.regional.

Regional Cooperation Council Secretariat

Trg Bosne I Hercegovine 1/V

71000 Sarajevo, Bosnia and Herzegovina

T: + 387 33 561 700

www.rcc.int



@rccint



RegionalCooperationCouncil



RCCSec



regionalcooperationcouncil_rcc



Regional Cooperation Council

