



# Aligning the EU's budget tracking framework for 2028–2034 with social, climate and just transition goals

The tracking framework proposed by the European Commission for the 2028–2034 EU budget, set out in the [Budget Expenditure Tracking and Performance Framework Regulation](#) and its Annex I, aims to **align EU spending with achieving climate, environmental and social objectives**. Compared to the current system, the effort to address the risk of double counting is an important improvement. However, in its current form, **the framework still falls short in providing a robust, transparent and meaningful basis** for monitoring how EU spending contributes to the implementation of relevant EU legislation and policy objectives.

To improve the framework in Annex I, decision-makers should:

## **1** Integrate support for just transition regions in the tracking framework.

A just transition towards climate neutrality is a core objective of both Headings 1 and 2 of the proposed EU budget, yet Annex I contains no references to a just transition. Therefore, Annex I should **include dedicated intervention fields that capture support**

**for just transition regions<sup>1</sup>**, as defined under [the EU's Just Transition Fund \(JTF\) and Mechanism](#), including measures for economic diversification, reskilling and support for workers and communities most affected by the transition, with a gender-sensitive approach. These fields should be assigned appropriate climate, environmental and social coefficients (40% or 100%). Their inclusion is particularly important in light of the substantial investments already implemented under the Recovery and Resilience Facility and the JTF, as well as the proposed discontinuation of the latter, which makes it essential to ensure continuity, coherence and traceability of just transition support across EU funding instruments.

Reforms tracked under the framework should include the **development and effective implementation of national and territorial just transition strategies**, the design and adoption of integrated policy packages as recommended in the [Council Recommendation on ensuring a fair transition towards climate neutrality](#), and the establishment and operationalisation of Just Transition Commissions or equivalent multi-stakeholder governance bodies. ►

<sup>1</sup> See recommendations 2.1 and 2.2 in '[Key recommendations for investing in a just transition in the EU budget for 2028–2034](#)', developed in the framework of the European Alliance for a Just Transition, for a definition of just transition regions.

The framework lacks clear indicators to assess whether reforms and investments contribute to a just transition in practice, i.e. whether they generate positive social and economic impacts in transition contexts. To address this gap, it should include a robust set of **indicators capturing both environmental and distributional outcomes**, such as employment generation in carbon-intensive regions, the share of workers in declining industries benefiting from reskilling, reductions in energy poverty, access to quality jobs and services in just transition regions, labour unions' role in transition processes, and progress in emissions reductions and ecosystem restoration in just transition territories.

Upskilling and reskilling for all those in need are essential components of a just transition, particularly given the scale of people who will need to engage in education and training and the importance of fostering a culture of lifelong learning. To support this, a **performance indicator on skills development should be introduced** to identify intervention areas at risk of deskilling or emerging skills shortages. This would help ensure that investments are grounded in robust skills assessments and include targeted measures to anticipate and mitigate skills risks.

## 2 Improve the effectiveness of tracking climate, environmental and social objectives.

**Reintroduce a dedicated column for tracking biodiversity. Furthermore, within the social column, distinguish between ESF-funded interventions and those financed through other resources.** This would enable a clear separation of ESF-related social policies, objectives and targets from other social objectives and targets covered under the NRP Regulation.

To ensure strict compliance with the Do No Significant Harm (DNSH) principle (Art. 5 of Performance Regulation), **activities with negative climate and environmental impacts**, such as airport expansion

(intervention fields 491 and 492) and additional road infrastructure (field 529), **should be excluded from EU funding.**

Actions focused on community-based social services, disability inclusion, child poverty and material deprivation are either missing or not sufficiently reflected. Therefore, **dedicated intervention fields focused specifically on social inclusion and poverty eradication should be added** and assigned a social coefficient of 100% when they directly target people in vulnerable situations. For instance, under the Rights, Equality and Justice policy area, an intervention to support independent living and community-based care should be included. Similarly, under the Housing and Infrastructure policy area, an intervention to provide accessible and affordable housing for persons with disabilities should be added.

## 3 Ensure the accurate classification of intervention fields for climate, environmental and social objectives.

Investment in intervention fields that make a **limited or uncertain contribution** to social, climate or environmental objectives **should be assigned a coefficient of 0%**, not 40%. This includes military mobility (field 406), raw materials extraction (field 68) and indiscriminate farm income support (field 2), none of which contribute to climate or environmental objectives. Similarly, assigning a 40% social coefficient to tourism (fields 93–95) cannot be justified on the basis of indicators limited to job creation, job retention and skills development, as these do not capture key dimensions of social impact such as job quality, working conditions and collective representation.

Social reforms (fields 464-475) are allocated a social coefficient of 100%, despite the fact that these interventions may include measures with potentially regressive effects, such as austerity-driven pension system reforms (field 470) aimed primarily at reducing public expenditure. Moreover, these interventions ►

are currently assessed using indicators such as the number of laws or reforms adopted, which do not ensure positive social outcomes or alignment with the European Pillar of Social Rights. **Adequate qualitative indicators should therefore be introduced for each relevant reform**, assessing their contribution to the implementation of the European Pillar of Social Rights, the forthcoming EU Anti-Poverty Strategy, the EU Social Economy Action Plan and other relevant EU policy frameworks, strategies and recommendations, and measuring their tangible social outcomes.

Under social and affordable housing (fields 312–315), infrastructure investments such as the construction and renovation of student accommodation are assigned a 100% social coefficient, which risks diverting resources away from more targeted social inclusion measures. As a result, **all infrastructure-only investments should instead be classified at 40%**.

#### **4 Strengthen and streamline performance indicators for social inclusion and poverty eradication.**

The proposed indicators often differ from those used by Member States in other reporting obligations. To ensure consistency and comparability, **the same indicators should be applied across all frameworks**, building on good practices from established monitoring systems, such as the Child Guarantee and the Social Scoreboard.

The framework focuses too much on national-level action and does not adequately reflect the shared implementation responsibilities of the EU, national,

regional and local levels. **Indicators should better capture territorial realities and the responsibilities of all levels of government in implementing EU policies.** Additionally, as it only covers selected parts of EU legislation, the framework could distort investment priorities by favouring less strategic areas, such as parking infrastructure, over urgent priorities from both a social and green perspective, like public transport and active mobility infrastructure.

Current indicators are often too generic to accurately assess whether investments effectively **reach and benefit people in vulnerable situations**, such as those at risk of poverty and social exclusion. This is particularly relevant for investments in infrastructure and social inclusion (fields 476–488). To enable meaningful tracking, indicators should, wherever possible, **better reflect real social outcomes and distributional impacts**, including by measuring the proportion of vulnerable groups benefiting from the interventions. This includes disaggregating data in relevant intervention fields by not only gender, but also age, disability and other relevant vulnerability factors. **Moreover, quality indicators should be introduced wherever possible.** Rather than focusing solely on employment rates, for example, assessments should also consider the quality of jobs created and the role of independent unions as key enablers of quality jobs, drawing on existing frameworks developed by the OECD and Eurofound that capture dimensions such as in-work poverty, job security and wage levels.

Current social indicators largely focus on labour market participation and activation, e.g. ‘number of jobs sustained or created’, but they should **prioritise other key social dimensions** such as access to adequate minimum income, social services and social protection.

This document was developed within the framework of the European Alliance for a Just Transition. Read the European Alliance for a Just Transition’s vision for a [European Union that advances a Fair and Just Transition during the Cycle 2024-2029 and Beyond](#). Membership of the Alliance does not imply formal endorsement of this statement, nor does it signify any political affiliation between Alliance organisations.