Summary of the Workshop: ''Measuring what matters - Sustainable and Inclusive wellbeing metrics in the EU Budget''

Building economies that deliver wellbeing for all—now and in the future—requires complex tools. In this context, MERGE, a Horizon Europe-funded project, aims to connect science and policy by developing indicators and models that can support sustainable and inclusive wellbeing policies.

On February 4th, 2025, participants from across the EU institutions together with experts in the field gathered to discuss the challenges and opportunities of integrating Inclusive Well-being (SIW) metrics into the new Multiannual Financial Framework (MFF), focusing on conditionality and the Do No Significant Harm (DNSH) principle. The workshop is part of series of MERGE deep dives exploring such integration into different policy domains and will feed into further development of the project.

Key takeaways

- **Clear Definitions and Shared Understanding:** a need to improve definitions, scope, and structure of SIW metrics so that all stakeholders have a consistent understanding, facilitating their meaningful integration into policy processes.
- **Actionable and Valuable Metrics:** SIW metrics if structured, can provide actionable insights and incentives for positive outcomes, ensuring they add value to decision-making without creating unnecessary complexity.
- **Embedding Metrics in Governance:** Overcoming political barriers is essential by formally integrating SIW indicators into regulations and governance structures, thereby preventing their dilution or deprioritisation over time.

Challenges

In the first part of the workshop, participants reflected and selected the four overarching challenges:

- The difficulty of finding the right balance between simplicity and complexity in monitoring frameworks;
- The current weak political support for SIW metrics and perspectives;
- The challenge of aligning long-term priorities with metrics;
- A lack of clear and standardised SIW indicators.

Opportunities

During the second part, participants reflected on opportunities to address the outlined challenges. Many opportunities were mentioned, such as the reframing of conditionality from punitive to incentive-based approaches that reward positive social and environmental contributions. Additionally, embedding SIW indicators from the outset could ensure that priorities align with

performance measurements, avoiding the pitfalls of retroactive evaluation. In that regard, creating flexible indicator frameworks that adjust to evolving EU priorities while remaining simple, clear, and visual could increase support. Leveraging artificial intelligence (AI) and improving IT systems can help streamline the analysis of complex policy documents and facilitate real-time project-level monitoring. Finally, engaging social partners and civil society in developing metrics and using ongoing European Parliament discussions can foster greater commitment to SIW integration across EU policymaking.

Key discussion points

Main challenges

1. **Finding a balance between the simplicity and complexity of monitoring frameworks**

Currently, DNSH compliance is determined in a binary way (either it is met or not) and focuses exclusively on six environmental dimensions. Effectively integrating SIW metrics would imply changing this binary assessment to an assessment based on a set of indicators. Some ideas for such a process could include having inclusion lists, or more tailored, project-based evaluations with the consequences of crossing the red line of causing harm to be defined. It would also imply expanding the scope of the DNSH to include social considerations. The harm to the social dimension would need to be defined. There is a risk it would add complexity and additional constraints to the current process, while the DNSH is already perceived as an administrative burden and there is pressure – notably from member states - towards streamlining and updating reporting systems. The centralised oversight of the assessment could improve this, as currently compliance is self-reported by the project management.

2. **Weak political support and alignment with long-term priorities**

Currently, SIW-related policies are losing traction in EU political agendas, as seen by the decreasing focus on topics such as the Sustainable Development Goals, gender equality or the just transition. With this shift in priorities, it will be harder to create support for the integration of SIW metrics, especially if they are perceived as adding more administrative burden. Conditionality for instance is often seen as punitive rather than incentivizing positive behaviour. However, this also shows the potential for SIW metrics to reflect, and ensure progress toward, overarching long-term priorities. There remains the question of how this could be achieved and what metrics should be used. One key barrier to overcome for a better linkage between metrics and long-term priorities is that currently, performance measurement is often an afterthought in the policy development with monitoring frameworks being developed after the initiative is published.

3. **Lack of clear, standardized indicators.**

Key challenges for embedding SIW indicators into policymaking are first, the lack of a shared understanding of which SIW indicators to use, when, and how, and second, the challenge of data collection in member states. For these indicators to be effectively used in policy, participants agreed

on the need for adaptable indicators reflecting regional differences. Instead of one-size-fits-all approach, a tailored approach is preferred to be able to have a realistic measure. Moreover, there remains the question of the type of indicator that should be collected: the current focus of monitoring frameworks is on monitoring project output rather than meaningful outcomes and impacts, and there is a difficulty in getting the balance between short-term and long-term indicators.

Main Opportunities

1. **Reframing conditionality as an incentive**

To improve the effectiveness of conditionality in the EU Budget, it should shift from punishment-based approaches to rewarding positive social and environmental contributions, as measured by SIW indicators. As such, social conditionality mechanisms within the EU budget process could be explored, for example thinking about using the social convergence framework already included in the European Semester. The social convergence framework could be a good fit for conditionality as it operates at a systemic level and can be measured ex-post.

2. **Embedding SIW indicators in regulation & policy design**

As discussed in the challenges, performance measurement is often an afterthought. Monitoring frameworks are only developed after the policy initiative has been decided. This can lead to a misalignment between policy priorities and evaluation. Therefore, to improve the effectiveness of monitoring, it is important to ensure that the monitoring frameworks are developed during the policy design phase (unlike gender mainstreaming in the Recovery and Resilience Facility (RRF), which lacked predefined indicators). Developing monitoring frameworks that are fit for purpose will require cross-team coordination, notably between accountants and policy teams in DGs. When it comes to the monitoring framework itself, a good practice was highlighted in the Horizon Europe project: using different sets of indicators for different stages of the project's process allows for project monitoring at all stages of the project and to evaluate results and impacts in the short to long term.

3. **Streamlining implementation with technology & AI**

Improved IT systems could facilitate real-time project-level monitoring and decrease administrative burden enabling for more complex monitoring framework without putting further strain on monitoring capacities. The potential of AI tools for progress monitoring should also be assessed. For example, AI could be used to analyse quickly long and complex policy documents to track the alignment of the project with EU priorities.

4. **Flexible and adaptable indicator frameworks**

Clear indicators and measurement tools are essential to assessing the impact of budget allocation and ensuring alignment with the intended objectives. Indicators should be simple, visual, and easy to understand to secure political support. They should be chosen having in mind the project's

objectives, the intended recipients of the funds, and the realistic impact that the project can achieve. Overly complex metrics risk overwhelming national and local authorities.

As political priorities shift, there is a risk that monitoring frameworks become no longer fit for purpose. Participants discussed the possibility of developing a matrix of indicators that can adjust to shifting EU priorities while maintaining consistent tracking. This means having a set of indicators that would stay relevant regardless of current policy priorities (ex: number of participants in a training programme) while other indicators could collect specific details that would be analysed based on changing political goals (ex: an indicator on the thematic focus of training programs that could be analysed differently based on emerging priorities).

5. **Building political and institutional support**

Building political and institutional support is crucial for the effective integration of sustainable and inclusive well-being (SIW) metrics. Engaging social partners and civil society in defining these metrics can enhance legitimacy and ensure broader acceptance. Additionally, leveraging ongoing discussions in the European Parliament provides an opportunity to push for stronger commitments and institutional backing.

Conclusion

A few concluding remarks can be mentioned: Firstly, improving definitions and conceptual clarity of Sustainable and Inclusive Well-being (SIW) metrics can help tackle the expressed uncertainty about the purpose, scope, and structure, and assist their integration into policy processes. A shared understanding as well as clear added value is important. This includes structuring SIW metrics in a way that provides actionable insights into policymaking and creates incentives for positive outcomes, rather than adding unnecessary complexity.

Secondly, addressing political barriers is equally important. Embedding SIW indicators in regulations and formally integrating them into governance structures is critical to prevent these metrics from being deprioritized over time. Such institutional support is necessary and can facilitate the long-term application of SIW metrics and improve effectiveness of policy decisions.

Follow-Up Actions:

A follow up online scientific policy dialogue will be organised and serve as an opportunity to build on the workshop discussion and explore case studies and examples of the SIW metrics integration in the Budget.

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Measuring what matters – policy pathways to sustainable and inclusive wellbeing

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