Executive summary

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Of the more than 100 indicators presented in this report, 12 have been identified as headline indicators. They are intended to give an overall picture of whether the EU has achieved progress towards sustainable development in terms of the objectives and targets defined in the EU Sustainable Development Strategy (EU SDS). An evaluation of progress since 2000 based on these headline indicators shows a rather mixed picture, as shown in the table below.

Table 0.1: Evaluation of changes in the SDI headline indicators (EU-27, from 2000) (1)

SDI theme	Headline indicator	Evaluation of change in the EU-27
Socioeconomic development	Real GDP per capita	
Sustainable consumption and production	Resource productivity	
Social inclusion	People at risk of poverty or social exclusion (*)	
Demographic changes	Employment rate of older workers (2)	
Public health	Life expectancy at birth (**)	
Climate change and energy	Greenhouse gas emissions	
	Share of renewable energy in gross final energy consumption (**)	
	Primary energy consumption	
Sustainable transport	Energy consumption of transport relative to GDP	
Natural resources	Common bird index	
	Fish catches from stocks outside safe biological limits	
Global partnership	Official development assistance (**)	
Good governance	[No headline indicator]	:

(*) From 2008 (**) From 2004

The following pages provide a more detailed assessment of the key trends observed since 2000, complementing the analysis of the SDI headline indicators.

(1) An explanation of the evaluation method and the meaning of the weather symbols is given in the introduction.
(2) Due to a change in the methodology the evaluation of the indicator is not comparable with previous editions of the Monitoring Report. For details please see the 'demographic changes' chapter in this report.

Is the EU moving towards sustainable development?

Key trends in socioeconomic development

Real GDP per capita — signs of modest recovery?

- Between 2000 and 2012 **real GDP per capita** in the EU grew by 0.9 % per year on average. In the period from 1995 to 2007, before the onset of the economic crisis, GDP per capita had been growing continuously in the EU, at an annual average rate of 2.4 %.
- The financial and economic crisis took hold of the real economy in 2008, with GDP per capita contracting by 4.8 % in 2009 (compared to 2008). Swift implementation of fiscal stimuli and other policy actions at national and EU level contained the worst effects of the crisis and stabilised GDP per capita in 2010 and 2011.
- In 2012, against the background of a weak recovery, real GDP per capita fell again by 0.6 % compared to 2011.

The recession continues to weigh on the investment climate in the EU

- Between 2003 and 2007 **investment** (as a share of GDP) increased moderately, following the economic cycle. As household and corporate confidence tumbled during the financial market turmoil and economic crisis, investment started decreasing rapidly. The sharp fall in investment to a decade low of about 19 % between 2009 and 2011 was mainly driven by business sector cuts.
- Between 2000 and 2012 the **household saving rate** in the EU followed the economic cycle. While households reduced their savings during the economic upswing between 2003 and 2007, this trend was reversed by the economic upheaval and increased market uncertainty after the crisis. Despite signs of weak economic recovery, the household saving rate began to fall again after 2009.

Has the EU economy become more competitive and innovative?

- The steady increase in **labour productivity** between 2000 and 2007 was stalled by the slowdown in economic activity in 2008 and 2009. Although productivity picked up in 2010 and continued rising in the following years, long-term improvement will depend on future labour market adjustments. This could include changes in worker flows between states, sectors and regions or the response of wages to different labour market conditions.
- In the period 2000 to 2007 total **R&D expenditure** as a share of GDP remained relatively stable at 1.85 %. The indicator remained resilient to the short-term effects of the economic crisis. It even recorded a moderate increase in 2008 and 2009 before stabilising at 2 % over the following two years. This was mainly due to government efforts to support economic growth by boosting R&D expenditure.
- **Energy intensity** in the EU declined steadily between 2003 and 2009, followed by a rebound in 2010 and an accelerated decline in 2011. The positive trend occurred against the background of absolute decoupling of gross inland energy consumption from economic growth.

Muted labour market recovery

- The EU employment rate increased from 66.6 % in 2000 to 70.3 % in 2008. The rise ended in 2009 as the economic recession prolonged labour market stagnation and the employment rate remained around 68.5 % until 2012. This pushed the EU off-track to meeting the Europe 2020 target of 75 %.
- Between 2000 and 2007 **regional disparities in employment** in the EU were reduced by 2.1 percentage points. Progress was erased by the economic crisis, which gradually brought regional inequalities in employment back to the 2000 level (13.3 % in 2012). On the positive side, the gender gap in regional employment was reduced to a decade low of 5.6 percentage points.
- Overall, in the period between 2001 and 2004 the **total unemployment rate** in the EU increased. In the following four years (2005 to 2008) the unemployment rate fell continuously, reaching a low of 7.1 % in 2008. These improvements were followed by a sharp increase, and in 2012 the EU's unemployment rate reached a record high of 10.5 %.

Key trends in sustainable consumption and production

Absolute decoupling of material use from economic growth?

- In 2011 the EU was able to generate an economic value of EUR 1.60 for each kilogram of material consumed. This was a considerable improvement in **resource productivity** since 2000, when only EUR 1.34 per kg had been created from the same amount of resources.
- This efficiency gain occurred because GDP was growing faster than **domestic material consumption** (DMC), particularly before the economic crisis hit. Since 2007, EU resource use has dropped sharply, putting DMC below levels seen even ten years ago. However, economic recovery indicates a trend reversal in 2011.
- These divergent trends — GDP growing while DMC falls — imply an absolute decoupling of economic growth from resource use in the EU between 2000 and 2011. However, it is unclear whether this is an actual turnaround in resource use patterns or merely a reflection of the impact of the economic crisis on resource-intensive industries such as construction.

Improvements in waste treatment and pollutant emissions

- **Waste treatment** practices have improved considerably in the EU since 2000. Landfilling, the least environment-friendly method of disposal, has been gradually replaced by incineration and, to a greater extent, by recycling and composting. In 2011, about 40 % of municipal waste was recycled or composted.
- There is huge variation in waste treatment across the EU. In 2011, landfilling was the main way of disposing of waste in Bulgaria, Croatia and Romania (more than 90 %), whereas its share was below 1 % in Germany, the Netherlands and Sweden.
- Similar improvements have occurred with **atmospheric emissions** of acidifying substances and ozone precursors. Steady declines since 1990 have allowed the EU-27 to meet its emission targets for sulphur oxides (SO_X) and non-methane volatile organic compounds (NMVOC) by 2011. However, 12 Member States reported emissions above their national ceilings for at least one of the four pollutants.

No clear trend towards more sustainable consumption patterns

- **Electricity consumption of households** has risen almost continuously since 1990. This trend has been driven mainly by a rise in the number of households and changes in their consumption patterns, outstripping efficiency improvements of electronic devices. This phenomenon is known as the 'rebound effect'. In contrast to other consumption indicators in this report, household electricity consumption proved rather unresponsive to the economic crisis, with 2011 being the first year to show a sharp drop in electricity use since 1990.
- Similarly, **final energy consumption** in the EU has been on the rise since 1990. However, 2005 marked a turning point, with energy use stabilising and then falling in the years after. The contractions in the EU economy in 2009 and 2011 contributed to the drop, pushing final energy consumption in 2011 down to pre-2000 levels.
- Because household electricity consumption and final energy consumption have shown different trends, particularly since 2005, it is not possible to conclude whether consumption patterns in the EU have become more sustainable.

More environment-friendly production patterns

- Production patterns, by contrast, have improved in the EU over the past years. The number of organisations implementing a certified environmental management system according to the **Eco-Management and Audit Scheme (EMAS)** has grown since 2003. In 2013, EMAS uptake — expressed in number of EMAS-registered organisations per million inhabitants — was particularly high in Cyprus, Austria, Spain, Italy, Germany and Denmark.
- Similarly, farming practices have become more and more sustainable in the EU since 2005, as illustrated by the increase in the share of **organic farming**. This dynamic development has also been reflected in growing sales of organic products in the EU food market.

Key trends in social inclusion

The number of people at risk of poverty or social exclusion has risen since 2008

- Between 2008 and 2012 the number of **people at risk of poverty or social exclusion** grew by 8.7 million, from 115.7 million to 124.4 million. This number had been falling between 2005 and 2009. With the onset of the economic crisis, however, it started to rise again.
- The 124.4 million people at risk of poverty and social exclusion in the EU in 2012 translate into a 25 % share of the total population. This means that one fourth of the EU population experienced at least one form of poverty covered by the theme's headline indicator, namely monetary poverty, severe material deprivation and lack of access to jobs. The current levels of poverty and social exclusion jeopardise the Europe 2020 strategy's target for poverty alleviation, which aims to lift at least 20 million people out of the risk of poverty and social exclusion by 2020.

Monetary poverty increasing and living conditions deteriorating

- The number of people **at risk of poverty after social transfers** increased from 80.7 million in 2008 to 85.3 million in 2012. In contrast to the headline indicator, this number has seen an almost continuous increase since 2005, even before the economic crisis, with an acceleration after 2009. Monetary poverty is the most prevalent form of poverty in the EU, affecting 17.1 % of the total EU population in 2012.
- The number of people affected by **severe material deprivation** rose considerably from 2008 to 2012, from 41.4 million to 51.0 million. However, the trend was not continuous, with 2009 marking a significant turning point. While the number of people in severe material deprivation fell considerably by almost 12 million between 2005 and 2009, it has since grown again by 11.2 million, resulting in 10.3 % of the EU population being affected in 2012.
- Between 2005 and 2012 **income inequality** barely changed. In 2012, the richest 20 % of the population in the EU earned more than 38 % of the national equivalised income and thus about five times more than the poorest 20 %, who only accounted for a share of slightly less than 8 %.

No clear trend towards more sustainable labour market

- The number of people living in households with **very low work intensity** increased between 2008 and 2012, from 34.3 million to 36.9 million. In line with other poverty-related indicators this number fell between 2006 and 2009, but then increased again in parallel with rising unemployment levels, before dropping by 4.1 % between 2011 and 2012. Economic inactivity substantially increases the risk of being poor. In 2012, 9.8 % of the EU population aged 0 to 59 lived in households with very low work intensity.
- The EU's **long-term unemployment rate** showed a falling trend between 2004 and 2008. Since 2008, however, the rate has increased again, reaching a historical high of 4.6 % in 2012.
- Between 2006 and 2011 the **gender pay gap** substantially reduced. Despite this favourable trend, hourly gross earnings of women were still 16.2 % lower than those of men in 2011.

Improvements in education

- The share of **early leavers from education and training** has fallen steadily since 2003, reaching 12.8 % in 2012. If recent trends can be sustained, the target to reduce early school leaving rates to less than 10 % by 2020 seems to be in reach.
- The share of the population aged 30 to 34 with **tertiary educational attainment** has been continuously increasing since 2000. The trend suggests that the Europe 2020 target of increasing this share to at least 40 % by 2020 will be reached.
- The share of **adults with low educational attainment** has fallen substantially since 2000. The trend is visible across all age groups.
- Participation in **lifelong learning** increased between 2003 and 2012; however, most of this increase occurred between 2003 and 2005, while participation in lifelong learning has not seen further progress since then. The Nordic countries achieve the highest participation rates, whereas Bulgaria, Greece and Romania have recorded little or no progress in improving their low levels of involvement.

Key trends in demographic changes

Employment rate of older workers unaffected by the economic crisis

- 48.9 % of **older workers** were in employment in 2012. The **employment rate** has slightly and continuously increased since 2000. The increase in labour force participation of older workers is a stable trend, which seems to be resistant to the economic crisis. Nevertheless, the 50 % target set in the Lisbon strategy – the predecessor of Europe 2020 – to be met in 2010 has still not been achieved.
- A narrowing of the gap in employment of older workers between men and women is visible over the period 2000 to 2012. While the employment rate for women remained lower than that of men, the increase was clearly higher for women, at 14.4 percentage points since 2000, compared with 9.3 percentage points for men.

Trends of population structure confirm demographic challenges

- **Life expectancy at age 65** in the EU was at a level of 21.3 years for women and 17.2 years for men in 2011. Since 2002 the expected years to live have increased continuously for both sexes and the gap between men and women has declined. As the rate of increase per year in 2011 was below 1 % for women, it is unclear whether it will still increase in the future.
- In 2011 the EU **fertility rate** was 1.57 children per woman. This indicates an increase of 8 % since 2002. Nevertheless, after a period of stabilisation at 1.6 children, the average number of children born slightly decreased in 2011.
- In addition to the recent decrease in the fertility rate, the **net rate of migration** in the EU decreased in 2011. These two downward trends might lead to an acceleration of demographic change, with an increasing share of older people in European countries.
- The **ratio of elderly people to the population of working age** in the EU has steadily increased to a level of 25.8 % in 2012. Recent projections predict a continuous increase in the future until 2050, followed by stabilisation at a level of about 55 %.

No major improvements in the income levels of pensioners

- In 2012 the average **income level of pensioners** in EU was 56 % of the earnings of the working population in their 50s. After remaining more or less stable at about 50 %, the replacement ratio has experienced a moderate upward trend since 2010.
- Across EU Member States the ratio of income levels from pensions of elderly people relative to the income level from earnings of those aged 50 to 59 ranged from 39 % in Cyprus to 79 % in Luxembourg. Between 2005 and 2012 the spread between the Member States increased slightly.

Still no recovery of public finances in EU

- **Public debt** in the EU has considerably increased since the onset of the economic crisis in 2007. After falling below the Maastricht reference level of 60 % in 2007 (to 59 %), it climbed substantially during the following years, reaching 85.3% of GDP in 2012. Across the EU the levels of public debt varied significantly, ranging from 10.1 % of GDP in Estonia to 156.9 % in Greece.
- One factor of public spending is the costs for pension payments by the state. Many Member States reformed pension systems to extend the population's **duration of working life**. Between 2000 and 2011 the average duration of working life in EU increased by 1.8 years. In 2011 men worked on average 37.4 years and women 31.9 years during the course of their life.

Key trends in public health

Improvements in life-expectancy not leading to longer life in good health

- Between 2004 and 2011 **life expectancy at birth** for both women and men increased moderately with an annual growth rate of 0.4 % (men) and 0.3 % (women). In contrast the number of **healthy life years at birth** did not improve for women and only slightly for men.
- Higher growth rates in life expectancy and lower growth rates in healthy life years imply that people on average do not spend their years in good health but with some kind of disability or disease.

Improvements in health indicators slowing since the onset of the economic crisis, and health inequalities persist

- Between 2000 and 2009 the **death rate due to chronic diseases** fell from 142 to 116 per 100 000 people aged less than 65 in the EU. Men, who are currently more likely to die of a chronic disease, experienced a higher decrease (2.4 %) than women (1.9 %), suggesting a gender-convergence of the death rates. In spite of the improvements in death rates due to chronic disease, the ratio of deaths due to chronic disease on all death remained constant. This indicates that the decrease in the death rates from chronic disease could mainly be explained by the overall decrease in death rates.
- The **suicide death rate** recorded an overall average decrease of 1.4 % between 2000 and 2010. However, the trend has not been continuous. Between 2000 and 2007 the average yearly decrease was much higher at 2.5 %. However, suicides increased substantially during 2008 (by 2 %) and 2009 (by another 3 %), but fell again in 2010. Most of the increase in suicide death rates since 2007 has been experienced by men, potentially reflecting the impact of the economic crisis on unemployment.
- Economic constraints limit **access to health care**. After declining between 2005 and 2009 the share of the population that felt unable to afford medical care started to grow again in 2009, reaching 2.3 % in 2011. The alignment of this change in trend with the economic crisis and persisting income inequalities in access to health care shows that economic constraints reduced access to medical care.

No or insufficient improvements in health determinants such as toxic chemical production and exposure to air pollution

- **Production of toxic chemicals** in the EU increased slightly between 2002 and 2007, but fell considerably in 2008 and 2009 due to the economic crisis. Two years later (in 2011), after the European market recovered, production settled back to the old high level. The temporary drop can hence be explained by the stagnating economy leading to lower industrial production during the economic crisis.
- Between 2000 and 2011 urban **exposure to air pollution by particulate matter** decreased by 1 microgram per cubic metre, reaching a level of 27 micrograms per cubic metre in 2011. However, given the substantial year-on-year variations it is difficult to discern any clear trend. The 2010 target to reduce emissions to 20 micrograms could not be achieved. In 2010 the emission of particulate matter constituted 26 micrograms per cubic metre, which was 6 micrograms above the target.
- Overall urban **exposure to air pollution by ozone** rose at an annual average rate of 1.7 % between 2000 and 2011. However, the development was volatile due to the influence of weather on ozone concentrations and wide variation between countries.

Key trends in climate change and energy

Reductions in EU greenhouse gas emissions, but rising global temperature

- EU **greenhouse gas emissions** have fallen substantially since 1990. The strongest drops occurred in the early 1990s and between 2007 and 2011. The Europe 2020 target of cutting greenhouse gas emissions by 20 % compared with 1990 levels by 2020 is clearly within reach.
- The biggest reductions were achieved in the manufacturing, construction and energy industries. The waste and agriculture sectors have also reduced emissions, but they make up a smaller share of the total. The only sector with growing emissions is the transport sector. Emissions from international aviation and maritime transport have risen particularly fast. Emissions from inland transport also remain above 1990 levels, but have shown a downward trend since 2007.
- Reductions in EU greenhouse gas emissions are overcompensated by quickly rising global emissions. Concentrations of greenhouse gases in the atmosphere are rising. Even though there is a time lag between emissions and temperature increase, **global mean temperature** records already show a clear upward trend. Warming has continuously sped up over the past four decades.

No clear trend towards lower energy demand

- After having risen more or less continuously between 1990 and 2006, **primary energy consumption** in the EU fell to 1990 levels in 2011. Yet, the downward trend was not continuous. It remains to be seen if the decline can be maintained once the EU economy returns to higher economic growth.
- The EU **imported more than half of its energy** in 2011. Since the early 1990s the share of total energy needs provided by imports from non-EU countries has increased almost every year. From 2006 onwards it has remained at slightly more than 50 %.

Rapid expansion of renewable energies, particularly in the electricity sector

- Energy generated from biomass, wind, solar and the earth's heat is helping to provide an ever increasing share of final energy demand in the EU. All Member States have increased their **renewable energy share** between 2005 and 2011. While the contribution of biomass is by far the largest, wind and solar energy have expanded fastest.
- Penetration of renewable energies is highest in the electricity sector, where renewables covered a fifth of gross power generation in 2011.
- By contrast, the share of renewables used in **transport** went down in 2011 compared to the previous year. However, this is due to statistical adjustments that exclude biofuels that have not been certified as sustainable. Yet 2010 data show that the EU has missed its interim target for increasing the use of renewable energies in transport.

Key trends in sustainable transport

No absolute decoupling of energy consumption of transport from economic growth

- **Energy consumption of transport per unit of GDP** has fallen by 8.3 % since 2000. This trend has been somewhat stronger since the start of the economic crisis, as the environmental component of this indicator — transport energy use — fell for four consecutive years after 2007. Overall, between 2000 and 2011 transport energy use increased by 6.7 %, while economic growth was faster, with 16.5 %.
- These coinciding trends — growth in both energy consumption and (even stronger) in GDP — imply relative decoupling of energy consumption of transport from economic growth in the EU over the period 2000 to 2011. Absolute decoupling (that is a reduction in transport energy consumption while the economy is growing) could be observed on a year-over-year basis both in 2010 and 2011. It is, however, uncertain whether this is an ongoing trend or merely a consequence of the economic crisis.

No substantial change of transport modes and mobility

- Transport performance of different transport modes do not vary greatly. The **modal split of passenger transport** in 2011 remained very similar to its 2000 levels. **Freight transport** has shown slight shifts since 2009, with rail regaining its lost share from road transport. Therefore, modal shares of freight transport are also nearing their 2000 levels. However, these slight changes may also be due to methodological reasons.
- Even though the modal split does not show large changes at the EU-level, the shares of each transport modes vary greatly between Member States. While road transport dominated both passenger and freight transport in 2011, rail had substantial shares of more than 30 % of freight transport in some Member States, such as the Baltic countries.
- No substantial decoupling effect is observed for freight volumes relative to GDP. The crisis had a deep impact on both GDP and transport volumes, the latter being affected more heavily. Since 2009, numbers have shown a timid recovery. Whether this represents a decoupling cannot yet be concluded.

Negative transport impacts yet to be reduced

- There has still not been an overall decrease of **greenhouse gas emissions from transport** since 2000. Although emissions have been falling since 2007 as a result of the economic downturn, this decline has not offset the increases in emissions seen before.
- **Road fatalities** have continued to fall since 2000. However, the goal of only 27 000 victims due to road accidents in 2010 was reached. Therefore, further efforts need to be implemented to attain the 2020 goal of fewer than 15 500 fatalities.

Key trends in natural resources

Is the EU losing its natural capital?

- Between 2000 and 2011 the **index of common birds** remained relatively stable, but more polarised trends are evident in the populations of common farmland and forest birds. While forest birds have increased by 9.7 percentage points over this period, the farmland bird index dropped by 5.6 percentage points.
- Changes in agricultural methods, intensification and specialisation are largely responsible for farmland bird declines in Northern and Western Europe. Major drivers are the provision of harmful subsidies, a lack of incentives for maintaining high nature value farmland (agricultural areas supporting high species and habitat diversity and/or species of conservation concern) and the increasing use of biomass for the production of renewable energy.
- Total **fish catches taken from stocks outside safe biological limits** declined by 23.1 percentage points from 2000 to 2010. However, annual values from 2002 to 2010 fluctuate around an average of 16.3 %, which is well above the safe biological limits. Thus total fish stocks remain threatened by overfishing in the North East Atlantic.

A declining fishing fleet: good for the environment and the coastal economy

- The size of the **EU fishing fleet** (measured in terms of engine power) decreased by 2.4 % on average per year from 2007 to 2012. But more efforts and policy reforms are needed for a sound fleet capacity adjustment, which would lead to more sustainable fish stock management and better economic conditions for active fishermen.

Water abstraction close to sustainable levels

- Total **water abstraction decreased over the past decade** in most regions of Europe with the exception of West Southern Europe, where it has been constant. Countries such as Lithuania, Romania and Belgium made significant progress towards more sustainable water management.

Urbanisation and transport drive further land take in the EU

- 4.6 % of the EU's land area was covered by artificial areas in 2012. Rising demands for housing and economic activities in urban areas and the increasing expansion of network areas in coastal zones are mainly responsible for a continuous shrinkage of semi-natural and arable land in the EU.

Key trends in global partnership

Official development assistance in decline, EU missing its targets

- Between 2004 and 2012 the EU's total **official development assistance (ODA)** expressed as a share of gross national income (GNI) increased by 0.05 percentage points, reaching 0.39 % in 2012 ([3]).
- However, over the period from 2010 to 2012 total ODA from the EU declined due to budget constraints resulting from the economic and financial crisis. A similar trend can be observed for other major donors.
- The EU already missed its collective interim target of dedicating 0.56 % of its GNI to ODA in 2010. If the increase continues at the same pace as between 2004 and 2012, the EU will not reach its long-standing collective target of dedicating 0.7 % of its GNI to official development assistance in 2015.

Increase in share of EU financing for development for developing countries

- **Financing for developing countries** from the EU-15 Member States, including both public and private flows, grew by an average of 4.6 % per year between 2000 and 2011. Despite this positive overall trend, fluctuations can be observed which may create unpredictability for developing countries that are particularly reliant on external financial support.
- Since 2000, the **share of ODA to least developed countries and other low income countries** has increased, with 52.5 % of official development assistance from the EU-15 going to these countries in 2011.
- **Foreign direct investment (FDI)** is a vital complement to development efforts. However, from 2000 to 2011, EU-15 FDI to least developed countries and other low-income countries decreased by 3.4 % per year on average, from 3.2 % of total FDI in 2000 to 2.2 % in 2011.

Increase in EU imports from developing countries

- **Imports from developing countries** into the EU increased by an average annual rate of 7.8 % between 2000 and 2012; the share of developing country imports in overall EU imports increased from 35.2 % in 2001 to 47.2 % in 2012.
- Imports from China were the single largest factor behind this trend. Their share in total EU imports from developing countries increased from 24 % in 2000 to 35 % in 2012. In absolute terms, the volume of imports from China in 2012 was more than three times the 2000 amount.
- **Imports from least-developed countries** also increased, but on average the growth rate was only about a third the growth rate of imports from all developing countries to the EU. In 2012 imports from least-developed countries still represented less than 2 % of overall EU imports.

Gap in CO_2 emissions closing due to increases in developing countries

- Although the gap in **per capita CO_2 emissions** narrowed between the EU and developing countries in the decade 2000 to 2011, the EU's emissions remain at 7.4 tonnes per capita; 2.6 times higher than the developing country average of 2.9 tonnes per capita.
- The gap narrowed primarily due to increasing emissions from developing countries and the financial crisis which led to lower per capita CO_2 emissions in the EU.

([3]) Provisional data for 2012

Key trends in good governance

Positive trends in policy coherence and effectiveness, but less trust from the public

- Less than half of EU citizens have **trust in the three main EU institutions**. In 2012, the European Parliament was the most trusted among them (44 % of citizens say they trust it), followed by the European Commission (40 %) and the Council of the EU (36 %). Citizens' trust in political institutions on all political levels is generally low, especially regarding political parties and institutions at the national level (for example only 15 % trust political parties and 27 % trust national governments).
- Between 2007 and 2012 the number of new **Single Market related infringement cases** fell by 38 %. Most of this decline occurred since 2010. Taxation and environmental issues make up the two largest groups of Single Market related infringement cases by policy sector, representing 44 % of all pending infringement cases in November 2012.
- After dropping significantly since 2000, the **transposition deficit of EU Single Market law** reached a new low of 0.6 % in November 2012. Promoted by the Internal Market Scoreboard as the 'best result ever', the transposition deficit was 0.4 percentage points below the 1 % target for the transposition of Single Market rules.

Citizen's online interaction with governments on the rise, but less participation in elections

- **Citizens' online interaction with public authorities** in the EU rose by 8 percentage points between 2008 and 2012. After a slight decrease in 2011, internet interactions with public authorities have increased again, reaching 44 % in 2012. This trend partly reflects an overall increase in internet usage across the EU.
- **Voter turnout** has seen a 1.5 percentage point reduction in national parliamentary elections in the EU between 2000 and 2012. A decreasing trend is also visible in participation in EU parliamentary elections.

No shift in taxation from labour to energy and environmental taxes achieved

- The **ratio of labour to environmental taxes** in the EU increased by 10.1 % from 2000 to 2011. Over this period, the share of environmental taxes in total revenues from taxes and social contributions declined compared with labour taxes. This trend runs counter to the goals of the EU Sustainable Development Strategy and the Europe 2020 strategy, both of which call for taxation to shift from labour to energy and environmental taxes ('greening' the taxation system).
- Similarly, the **implicit tax rate on energy** also dropped in the EU. However, this was less substantial dropping by just 1.6 % from 2000 to 2011. The fall in the implicit tax rate on energy indicates a decline in the effective tax burden on energy relative to the potentially taxable base.

Impacts of the global economic and financial crisis on the key trends

The indicators presented in this report show a rather mixed picture. In addition, the disruptions caused by the economic crisis make it hard to draw comprehensive conclusions about whether the EU has moved along the path towards sustainable development.

As a consequence of the global economic and financial crisis that began in late 2007, the EU went into recession during 2008. In late 2013, as this report was being finalised, the EU economy was still only growing slowly. The impact of the crisis has been severe and goes far beyond the economy, affecting many of the social and environmental trends analysed in this publication. This section provides a brief summary of the areas affected over a period starting in 2007 and extending where possible to 2011/2012. Although it is not clear at this point, some of the consequences, such as lower levels of investment, could have long-term and persistent knock-on effects which will only become apparent in later reports.

Liquidity problems in the banking sector, which began in 2007, led to a squeeze on credit and falling asset prices, feeding into lower consumer demand and an increase in 'household saving', a decrease in 'investment' from businesses and households, a fall in international trade (reflected in the indicator 'imports

from developing countries') and a decline in 'real GDP per capita'. Levels of 'public debt' rose drastically. 'Employment' fell, particularly among the young, and men were hit harder than women ('female employment'). The trend of increasing 'employment rate of older workers' slowed. Due to labour hoarding and changes to working hours 'labour productivity' fell.

'Research and development expenditure' on the other hand increased, as several countries boosted their expenditure to try to support economic recovery and longer term growth. In response to falling demand, industrial production also fell. This is evident in the example of the 'production of toxic chemicals'.

The rise in 'unemployment' and 'long-term unemployment' has had social impacts. Although the overall 'risk of poverty' decreased, it grew for the 25 to 49 year age group and also slightly for 18 to 24 year olds. The 'intensity of poverty' also increased, as did 'suicides', especially among men and the middle-aged. The 'crude rate of net migration' also fell, probably as a reaction to the difficulty in finding employment in the EU. In terms of combating global poverty, 'financing for developing countries' fell, due to reduced flows from private donors, rather than from official sources or NGOs.

Energy demand ('final energy consumption') fell in parallel to GDP. This lower consumption led to a stabilisation of the EU's 'energy dependence', breaking the long-term trend towards increased dependency. 'Greenhouse gas emissions' and pollutant 'atmospheric emissions', which were already decreasing, fell even more quickly.

Freight transport fell faster than GDP (reflected in the indicator 'volume of freight transport relative to GDP'). Nevertheless, energy consumption of transport fell less than GDP ('energy consumption of transport relative to GDP'), probably due to a slower decrease in passenger transport. 'Greenhouse gas emissions from transport' fell, and 'emissions of nitrogen oxides (NO_X) from transport' and 'emissions of particulate matter from transport' decreased faster than in previous years. The 'number of people killed in road accidents' also fell, probably as a result of lower traffic volumes.

The public reaction to the crisis and how it has been handled is reflected in the fall in 'citizen's confidence in EU institutions' and in 'voter turnout in national elections'.

Overall, the circumstances outlined above make it hard to assess whether real progress towards sustainable development has been made in the EU over the past few years. However, keeping in mind that almost half of the headline indicators of the EU SDI set are moving in a moderately or clearly unfavourable direction, more efforts seem to be needed to put the European Union on the path to sustainable development.